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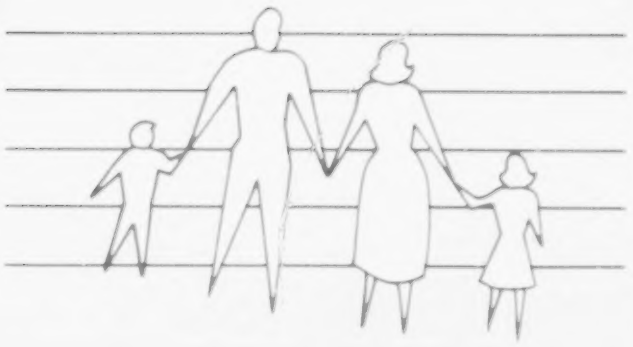
VANISHING DREAMS:

THE GROWING ECONOMIC PLIGHT OF AMERICA'S YOUNG FAMILIES



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VANISHING DREAMS: THE GROWING ECONOMIC PLIGHT OF AMERICA'S YOUNG FAMILIES

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FOREWORD

By Marian Wright Edelman
President, Children's Defense Fund

A friend recently said his 20-year-old son had begun to doubt he would achieve the economic success of his father. "I think the American dream is starting to run in reverse," the son told the father.

He may be right. The economic landscape is shifting, and there are more than a few signs that this young man's generation could be the first to end up worse off than their parents.

Americans younger than 30 are suffering a frightening cycle of plummeting earnings and family incomes, declining marriage rates, rising out-of-wedlock birth rates, increasing numbers of single-parent families, and skyrocketing poverty rates. Families headed by persons ages 30 and older generally are holding their ground, while families headed by individuals younger than 30 are sliding backward. The question is not whether the economic glass for America's families is half empty or half full. Rather, older families have a glass that is mostly full; the glass young families hold is mostly empty.

This report describes the current status of families headed by persons under age 30; compares the economic well-being of the current generation of young families in 1986 with that of the preceding generation in 1973; and analyzes the widening gaps between young families with and without children, between young families headed by persons with the least and most education, and between younger and older families. The report examines some of the consequences of falling earnings and incomes among young families: decreased marriage rates and rising out-of-wedlock birth rates, growing inability to afford housing and child care, and declining health insurance coverage. The report also analyzes regional trends in the economic status of young families.

This report treats as "young families" all those families headed by persons under age 30. The "earnings" figures examined in this report are the total earnings of the heads of young families during the course of the year (not including the earnings of a spouse or other family members). "Income," on the other hand, refers to the total of all sources of income for the family, including the earnings of all family members as well as child support payments and cash transfer payments (such as disability benefits, unemployment insurance, welfare, or Social Security survivor benefits) received by the family during the course of the year. All data on earnings and income are adjusted for inflation.

TEN KEY FINDINGS

• **One: An economic disaster has afflicted America's young families, especially those with children.** The median income of young families with children fell by 26 percent between 1973 and 1986—a loss virtually identical to the 27 percent drop in per capita personal income that occurred during the Depression from 1929 to 1933. As a result, the poverty rate for young families has nearly doubled, jumping from 12 percent in 1973 to 22 percent in 1986. Three-fourths of this increase in poverty among young families occurred during the 1980s.

Rising poverty rates have affected all groups of young families—whether white, Black, or Hispanic, married couple or single-parent. In fact, the greatest relative increases in poverty occurred among young white families, young married couple families, and young families headed by high school graduates. Nearly half (47 percent) of the increase in the number of young families living in poverty since 1973 is the result of rising poverty rates among young white families. These increases in poverty also affected young families in every region of the nation.

• **Two: Poverty among children in young families has skyrocketed.** In 1986, 35 percent of all children living in young families were poor, compared with 21 percent in 1973. Young families with children are seven times more likely to be poor than those without children. More than half of the increase in the number of poor children in America since 1973 is

the result of higher poverty rates among children living in young families. Young families now contain one-third of all poor children in America.

• **Three: The growing economic plight of young families has been caused by sweeping changes in the American economy that have reduced the earnings of young workers and undermined their ability to marry and form families.** While there is no single explanation for the economic disaster that has afflicted young families, declining real wages among young workers has been a major cause. Among employed men who head young married couple families, more than 90 percent of the drop in their annual earnings between 1979 and 1986 was a result of lower hourly wage rates (adjusted for inflation). A sharp drop in the value of the federal minimum wage, compared with inflation during the 1980s, and the continuing shift of employment from manufacturing industries to the service sector both contributed to this decline in the wages paid to young workers.

The growing economic plight of young families also reflects the increasing share of such families that are headed by single women, who typically have far lower earnings than heads of young married couple families and whose families rarely have second wage earners to help compensate for earnings losses. Yet this rising share of young female-headed families also is related directly to the declining earnings of young workers, because young men who earn enough to support a family are three to four times more likely to marry than those without such adequate earnings. As the earnings of young men fell sharply between 1973 and 1986, their marriage rates also dropped by one-third, and the proportion of births to young women that were out of wedlock nearly doubled, rising from 15 percent in 1973 to 28 percent in 1986.

• **Four: Young Black and Hispanic families have suffered particularly severe earnings and income losses.** Since 1973 the median earnings of heads of young minority families have plummeted—by one-half for young Black family heads and nearly one-third for young Hispanic family heads. More than half of all young Black high school dropouts who head families reported no earnings whatsoever in 1986. Even young Black college graduates who head families had their median earnings decline by 31 percent during this period. As a result, 58 percent of all children in young Black families, as well as 48 percent of all children in young Hispanic families, were poor in 1986.

• **Five: Education still pays, but a high school diploma is no longer an adequate defense against poverty for young families.**

While young families headed by high school graduates have fared better than those headed by dropouts, the high school diploma has not shielded them from economic losses. The median income of such families fell by one-sixth between 1973 and 1986, and their poverty rate more than doubled. More than one in every five young families headed by a high school graduate was poor in 1986, and increased poverty among these families accounted for 58 percent of the total number of young families that have fallen into poverty since 1973.

Those young families headed by persons with the least education have suffered the most dramatic income losses. The median income of young families headed by high school dropouts fell by 35 percent between 1973 and 1986, while their poverty rate jumped from 29 percent to 46 percent. In contrast, the median income of young families headed by college graduates increased during this period, and only 2.5 percent of such families were poor in 1986. A child living in a young family headed by a female high school dropout is 14 times more likely to be poor than a child in a young married couple family headed by a college graduate.

• **Six: While young female-headed families are by far at the greatest risk of poverty, young married couple families also have suffered, avoiding large income losses only by having both parents work.** The median annual earnings of female heads of young families are extremely low ($1,560 in 1986), and such families' median income has dropped by 26 percent since 1973. More than two-thirds of all young female-headed families with children were poor in 1986.

In contrast, young married couple families avoided dramatic income losses, but only by having two wage earners. Men in married couple families suffered a substantial median earnings loss from 1973 to 1986 (16 percent), but such families compensated for much of this decline by sending women into the work force more frequently. However, those young married couple families with children—who typically find it harder to send two adults into the work force full time—still suffered an 8 percent drop in their median income despite increased work effort. If their increased child care costs could be computed, it would show that their net income losses were greater, but the data do not allow such a computation. The poverty rate for young married couple families with children has doubled since 1973, leaving one in every eight such families poor in 1986.

• **Seven: Inequality of income has grown substantially among young families.** The poorest fifth of all young families—which contains 30 percent of all children in young families—received only 4 percent of the total income available to young families in 1986,

down from 6 percent in 1973. During the same period, the share of the total income pie received by the wealthiest fifth of young families grew from 37 percent to 42 percent. A child who lived in a young family in the poorest fifth in 1986 had an average annual per capita income of only $1,122, compared with $11,628 per capita for children in the highest fifth. For Black children in the poorest fifth, the average per capita income was only $656, and for Hispanic children only $822.

- **Eight: The youngest families find it increasingly difficult to obtain an adequate income.** Families headed by persons under age 25 have suffered the greatest declines in earnings and incomes since 1973. The median earnings of such very young family heads with children plunged by 60 percent, so that by 1986 more than half (54 percent) of all children living in such families were poor. One in every three poor children under the age of six lives in a family headed by a person under age 25.
- **Nine: Home ownership is now beyond the reach of most young families.** In 1973, it took slightly more than one-fifth of the median income of a young family with children to carry an 80 percent mortgage on a newly purchased, average-priced house. By 1986, this burden had more than doubled to 51 percent of median income needed to carry a new mortgage on such a house. As a result, home ownership among young families with children has fallen. For those families headed by persons under age 25, the drop was more than 25 percent between 1973 and 1987.
- **Ten: Young adults are least likely to have health insurance or access to the health care they need as they start their families.** Young people between the ages of 18 and 24 are the least likely of any age group to be covered by private health insurance and suffered the largest decline in insured status of any age group from 1974 to 1984. More than one in five children in young families had no health insurance in 1986. Declining incomes and insurance coverage take a toll. The share of young pregnant women receiving late or no prenatal care actually increased from 1976 to 1986. By the end of that period, the nation's progress in reducing infant mortality ground to a halt.

WHAT MUST BE DONE

Young families must be a central concern to Americans because their fate determines the fate of a majority of America's children. Most children are born into a family at a time when one or both parents are younger than 30. They then spend some or all of their most important early developmental years in the family while the parents are young. Whether the mother gets good prenatal care, whether the infant is warm and well fed and well-housed, whether the toddler is immunized, and whether the preschooler is in safe, quality child care all depend on young parents' ability to afford the basic necessities of life. Even the makeup of the family—whether the baby's parents are married—and the family's prospects for long-term stability and self-sufficiency depend frequently on the young parents' early economic status.

A poor child is more likely than a nonpoor child to go without necessary food, shelter, and health care and to die in infancy. Poor children are less likely than nonpoor children to be in good preschool programs or child care settings, and more likely to fall behind in school, drop out, get pregnant too soon, and be unemployed or sporadically employed.

One out of every three children in young families now officially does not have enough to live on. This should shame us all. It should also scare us all. These are the children on whom we must rely to be the workers, leaders, parents, taxpayers, soldiers, and hope of America's twenty-first century. We are getting them off to the worst possible start. Our children and our young families are this nation's growing edge. We neglect them at our peril.

Immediate Action is Necessary

America's young families cannot wait another year for a response to the economic disaster that has struck them. While the deterioration of their economic status will not be reversed quickly or easily, two immediate steps must be taken by Congress to begin to halt the precipitous declines in their incomes and to help young families with children cope with the increasing economic pressures caused by declining earnings:

- **Increase the federal minimum wage,** which has lost one-fourth of its real value to inflation since it was last raised in 1981. In 1986, 26 percent of all workers paid on an hourly basis earned less than $4.50 per hour—which was the inflation-adjusted value of the 1979 minimum wage. Modest legislation pending in both the House and Senate would increase the minimum wage gradually from its current $3.35 per hour to $4.55 per hour by 1991, thereby recapturing most of the ground lost to inflation during the 1980s.
- **Enact the Act for Better Child Care Services (ABC),** which would bring the federal government into partnership with state and local governments and employers to ensure

ADULT KIDS LIVING AT HOME

The following excerpts are taken from Kids As Politics: Issue Advisory 1988, *by Stanley B. Greenberg, The Analysis Group, Inc., New Haven, Connecticut. The report is based in part on a series of focus groups conducted by The Analysis Group.*

Voters show a growing concern with adult kids who still live at home, unable to find a secure economic niche and to start a home. Their presence is a visible reminder that kids in this changing economy face harder times and that parents will have increasing difficulty succeeding as parents. . . .

There is a new reality in the consciousness of modern American families—kids, seemingly grown-up, still living with their parents as they try, haltingly, to find their way into the labor market, marriage and a home. It is apparent now that those aging children at home represent a larger reality and a host of problems: the movement of jobs to other regions, the rise of lower-paying and dead-end service sector jobs, the uncertain match between education and the right job, inflated prices for housing, the apparent need for multiple incomes in a household to get ahead, not to mention the problems of managing a family of adults trying to live together.

The visibility of adult kids living at home compounds the problem. Those "kids" are a visible reminder both to the parents and their friends that something has not worked out right. On the one hand, the kids have not "succeeded" in securing their economic position and future; on the other hand, the parents have not been able to pass on their status and accomplishments and have not been able to realize their parenthood through their children's family and home. The adult kid at home is a daily reminder of that reality.

That the problem has a strong meaning for voters is evident in these exchanges that occurred in the introductory discussions of many of our groups. [A Michigan man said:]

> *I think every parent here wants their children to do the best they possibly can. But another thing is, I see friends of mine who are older, have kids that are living at home that are 25 and 30 years old. I've seen a lot of that. They can't afford to move out. My brother just moved out, and he's 34. . . .*

These worries about adult kids living at home are the most visible part of a larger set of concerns, specifically, the feeling that kids today will have a harder time than their parents. That helps explain why the general satisfaction with today's economy does not seem to translate into reduced anxieties about the economy in general.

The fears were very general in our groups, almost independent of the state of the local economy: "It's going to be very tough on them"; . . . "I'd like to say that if I have a frustration and some pessimistic views, it's regarding my kids and their future." One man concluded, "I think the start-up costs are too much for most people to get into their dreams today."

This society and state, voters believe, are shifting under their feet, throwing into doubt the conventional assumptions about kids and their opportunities. The labor market now operates by rules they do not begin to understand; it offers opportunities that seem meager by comparison with their own lives; it requires skills and capacities that are difficult to acquire.

Voters live, it seems, with the specter of "McDonalds"— the fear that kids might end up in dead-end, low-paying service jobs. One can no longer presume, as many older workers do, that manufacturing will offer decent paying entry level jobs to people with rudimentary skills. A union participant described the bleak prospects: "There are no factory level entry jobs any more. We're like the dinosaurs, most of us here." [Another participant agreed:] "Our children aren't going to have it as good as we have it today. I think everybody realizes that. . . ."

These problems breaking into the labor market translate directly into problems breaking out of the house. "At our age, we could buy houses when we were 20 years old," one man recalled. . . . "They said, 'Where do you work.' You get a letter. You can move in on a VA mortgage and put nothing down and have a house. But nowadays, with the property values and everything, it don't look real promising as far as the kids owning some real estate or anything like that."

that children in working families get safe, quality, affordable, and accessible child care. As two incomes increasingly become a prerequisite for the economic survival of young families with children, typically very young children who need child care while their parents work, immediate enactment of ABC is essential.

An Agenda for 1989 and Beyond: Eight Recommendations

Beyond these two immediate steps, the nation must adopt a long-term investment strategy beginning in 1989 to restore a strong economic base for young families, respond to the new realities of a rapidly changing labor market, and prepare today's children and youths for productive roles in tomorrow's economy.

The following steps would help protect the well-being of today's young families and their children, while also encouraging the formation of new families in the years ahead:

- **Extend Medicaid coverage to reach all pregnant women and children in families with incomes less than twice the poverty threshold.** In 1988, Congress took an important step to help young families without health insurance by expanding Medicaid eligibility to include all pregnant women with incomes below the poverty threshold. We now must build on this progress by extending coverage to all pregnant women and to all uninsured children under age 18 in families with incomes less than twice the poverty threshold.

- **Expand the Earned Income Tax Credit (EITC) to give more help to low-income working families.** The EITC currently provides a much-needed offset of payroll taxes and income support for working families with dependent children and earnings below or slightly above the poverty level. By raising the credit (and the earnings levels at which it applies) and expanding the amount of assistance given to those families with more than one child, Congress can make the EITC an even better device to alleviate the plight of working poor families, including many young families with children.

- **Build upon the successes of proven, cost-effective programs such as Head Start, Chapter 1, and the Job Corps and mount comprehensive strategies to prevent teen pregnancy by building strong basic skills and self-esteem in the early years and positive life options for all teens.** We have already developed proven strategies for improving the basic academic skills and employment preparation of young Americans, and yet these critical programs reach only a fraction of all children in need of such assistance. We must expand Head Start so that it reaches half of all eligible children in five years, and build Chapter 1 so that it reaches all eligible children by 1992. Funding for the Job Corps also should be increased steadily in future years, both to allow the current residential program to serve more youths and to explore ways of adapting the Job Corps model to nonresidential settings.

- **Create a network of community learning centers that will strengthen the basic skills of children and youths in out-of-school settings.** America needs a new community ethic regarding learning for all and not just some children, one that involves all segments of the community in efforts to build high academic expectations and a strong academic foundation for all young Americans. By forging a federal–state partnership to support the development of community learning centers, the creative efforts of the full range of local agencies and community groups involved with children and youths can be tapped to expand out-of-school opportunities for learning.

- **Repair the safety net for young families without adequate incomes.** To protect children living in poor families, AFDC benefits must be increased to levels that more adequately reflect the cost of raising a family. The federal government should provide that benefit levels, when combined with food stamps, equal at least 75 percent of the poverty level. States also should be required to provide such benefits to two-parent families when both parents are unemployed. These steps should be coupled with stronger child support enforcement and increased investment in education and training to help AFDC families move toward self-sufficiency.

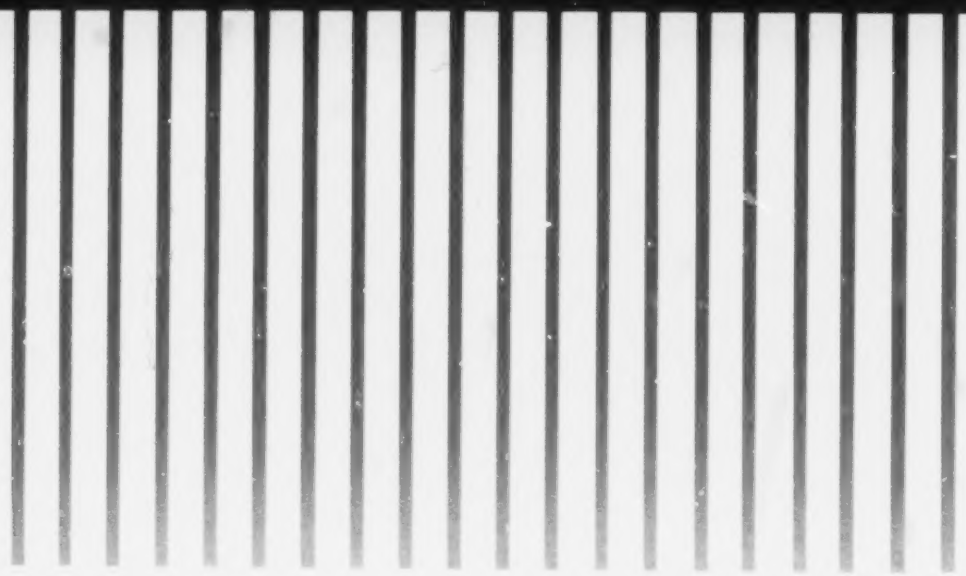
- **Build a stronger bridge from school to work for noncollege-bound youths.** Relatively low-cost programs of employment preparation, job placement assistance, counseling, and peer support can increase the earnings of young people not going on to college, particularly high school graduates. Expanded apprenticeship and on-the-job training opportunities also are needed to bolster the skills and future productivity of young workers. These efforts should be promoted through federal matching grants to states that replicate promising program models in these areas.

- **Increase targeted federal grants to lower-income students in order to bolster college attendance and to reverse declining college enrollment among minority youths.** In order to ensure that young people from low-income families can attend college, the federal government should fully fund the Pell grant program and rely more heavily on Pell

grants rather than loan programs in future years to encourage greater college attendance and to prevent student indebtedness from rising to prohibitive levels. Federal support for programs that provide counseling, tutoring, and other supportive services to low-income students also should be increased to stimulate and maintain college enrollments.

- **Reinvigorate federal efforts to assist first-time home buyers and help low-income families cope with soaring rent burdens.** The nation has vast experience with programs to expand home ownership—through the GI Bill and other post-World War II era programs—but we need to renew our commitment to such efforts as a way of helping young families enter the home-buying market. In addition, an expanded federal rental assistance initiative for low-income families and programs to stimulate the construction or renovation of affordable rental housing are essential to combat the excessive rent burden that young families often face.

Marian Wright Edelman



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OVERVIEW AND RECOMMENDATIONS

OVERVIEW AND RECOMMENDATIONS

Since 1973 an economic disaster has occurred for young American families, one so extensive that 35 percent of all children in young families (those headed by persons under the age of 30) were living in poverty by 1986.

If 35 percent of Americans from all age groups were living in poverty, 83 million of us would have had below-subsistence incomes in 1986, rather than the 32 million who actually did. With one-third of us in poverty, our society would look radically different—in some respects it would look more like the America of the 1930s than the America of the 1980s. Indeed, in his inaugural address in 1936, President Roosevelt used the famous words, "I see one-third of a nation ill-housed, ill-clad, ill-nourished." Today that is true for one-third of the nation's most vulnerable part—children in young families.

The Depression analogy is apt in a second sense. From 1973 to 1986, young families with children suffered a 26 percent drop in median income (adjusted for inflation). This decrease was virtually the same as the per capita personal income loss of 27 percent (also adjusted for changes in living costs) that Americans suffered from 1929, the year presaging the Depression, to 1933, the worst year of that period.

There are many differences between 1933 and the late 1980s—the most obvious being that the economy as a whole is not, thankfully, in a recession, much less a depression. The nature of the income losses also is different. The drop in median income for young families from 1973 to 1986 is based on a comparison of two completely different generations of families headed by persons under age 30. During the Depression, on the other hand, these declines occurred within a shorter time period and across the entire age spectrum.

In some ways, however, the differences between the 1930s and the 1980s make circumstances worse for young families—the depression they face today is less shared and less visible. The society-wide Depression of the 1930s created a large community of shared misfortune, a massive social response in the form of the New Deal, and a lessening of the stigma applied to poverty and personal economic failure. Far more targeted, today's depression is characterized by invisibility, misunderstanding, indifference, and heightened stigmatization. By and large, Americans are unaware of what has happened to young families, except for having some vague sense that they are in trouble.

Part of the difficulty in seeing the plight of *young* families is that it is well-hidden, subsumed in the most publicized statistical measurements—those that look at the economic status of *all* American families. For example, the median income for all families (regardless of the age of the family head) fell by less than 1 percent between 1973 and 1986, after adjusting for inflation. This general stagnation—in which American families seem to be no better or worse off than 15 years ago—reflects the fact that older workers and their families have by and large held their ground during the 1970s and early 1980s (with the obvious exception of older dislocated workers in some industrial regions). Young families have fared far worse, but they represent only about one-fifth of all American families. Changes in their economic situation have a proportionately small impact on the overall averages.

Looking beyond the general picture, it becomes clear that young families are starting out far behind the generation preceding them. The median income of all young families declined by 14 percent between 1973 and 1986. As a result, poverty rates among young families nearly doubled. Young families with children fared even worse: their median income fell by 26 percent. Currently, one-third of all poor children in America are part of young families.

Young families themselves often are unaware of how their economic status compares with that of their counterparts from 15 years ago. Today's young families have never known the same economic prospects or opportunities as their predecessors. As new entrants into the work force, many have not experienced these losses directly through an erosion of their incomes over time. Yet young families as a group are still far behind the generation preceding them and they know they are struggling. Too many young families are falling far short of their parents' expectations and their own dreams, and they are often unable to afford even the basic necessities of life.

In general, our society has always assumed that young families will struggle to some degree. Most older adults can look back on leaner times—years when they worked hard to

ON THE FARM BELT

Most rural banks greet new farmers like farmers greet weeds. Beginners reap little money from crops. They drive clunkers and live in old houses or with their parents. They and their spouses work themselves to exhaustion in factories and cafes to scrape together money to keep farming. They do without insurance, medical care and even the company of people their own age.

The federal government, after spending billions to resuscitate the Farm Belt, sees little sense in making it easy for beginning farmers again. The Farmers Home Administration, a big lender to young farmers a decade ago, is too busy bailing out older farmers to help many new ones. Some states have shelved easy-credit programs for beginners. To many economists, the ultimate solution is fewer farms.

"One banker told me I had a strong back and would be better off doing something else," says Kenneth Bunz, a would-be farmer from Brooklyn, Iowa. After being rejected by 10 lenders, the 26-year-old turned to selling seed.

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establish themselves in stable, decent-paying jobs, to start a family, and perhaps to purchase a home of their own.

These struggles to get started in the past usually were accompanied by a sense of hope and opportunity. In their youth, Americans typically held abiding confidence that their futures would bring an adequate income and the security upon which strong families are built. As a nation, we also have been confident that each future generation of young families would be better off than its predecessors.

During the past 15 years, however, the struggle for many young Americans has become more desperate. Today's young families are bearing the burdens of massive economic and social change. The current generation of young adults is no less educated, motivated, or responsible than their predecessors. As a group, they are more likely to complete high school, go to college, delay childbearing, and prepare for their futures than the generations before them. But in fundamental ways, the rules of the game have changed. Young Americans now are less able to build the foundation for their own economic security, form stable families, provide adequate support for their children, or have hope and confidence in the future.

Not every young family has lost ground. Young families headed by persons with a college education have experienced considerable income gains since 1973, although those young families headed by high school graduates—a group that used to get off to a strong start in the job market—were far more likely to be poor in 1986 than in 1973. Some young families also were able to preserve their total family incomes in the face of declining earnings among family heads if they had a second adult who could enter the work force or work longer hours. Yet many young families with children find themselves trapped—when both parents work, some of the additional income earned is lost to child care costs, and those young families with modest incomes frequently must settle for very low-quality child care, especially given the current state of America's child care system.

As the economic pressures upon young families mount, the most certain way for them to avoid poverty is not to have children. Young families with children are nearly seven times more likely to be poor than young childless families, and their median income is only 60 percent of that for young families without children. The implicit message to many young Americans is frighteningly clear: bearing and raising children is no longer compatible with pursuit of the American dream. No society can convey this message for long if it hopes to survive and prosper.

The Growing Plight of Young Families: Summary of Major Findings

This report examines the most important economic indicators of how young families are faring: the falling earnings of young family heads, the resulting declines in the total income of young families, the increasingly unequal distribution of income among young families, and the rising incidence of poverty among young families and their children. It demonstrates that these basic economic trends have affected young families in every region of the country. It also traces some of the consequences of these economic problems for young families—rising housing costs, falling home ownership rates, lack of health insurance, and inadequate health care.

Young families are important for many reasons. Their number is large—9.3 million in March 1987—and they contain 10.5 million children. Young families also are the crucible for America's next generation of children and youths: most children spend at least part of their lives in a young family.

The following sections summarize the major findings of this report, based on a wealth of data presented in Chapters 2 through 6. All data on earnings and incomes are adjusted for inflation and expressed in constant 1986 dollars in order to simplify comparisons over time. To guide a careful review of the trends described in this report, definitions of key terms are contained in each chapter and a more detailed description of data sources and methodology is included at the end of the report.

Earnings of Heads of Young Families. The median annual earnings of heads of young families fell by 30 percent from 1973 to 1986. Heads of those young families with children saw their median earnings drop even more—by 39 percent.

The primary causes of these dramatic earnings losses are lower wage levels for young workers and the increasing share of young families headed by single women. The decline in real wages is discussed below; the factors that have led to greater out-of-wedlock childbearing are examined in the following section on family formation.

Summary of Changes in the Median Annual Earnings of Family Heads, 1973-1986

	1973	1986	Change 1973-1986
Family Heads—All Ages	$20,970	$15,912	−24.1%
Family Heads Under Age 30	$19,243	$13,500	−29.8%
Under Age 25	$14,925	$ 8,603	−42.4%
Ages 25-29	$22,203	$16,000	−27.9%
Family Heads Under Age 30 with Children	$19,736	$12,000	−39.2%
Family Heads Under Age 25 with Children	$15,049	$ 6,000	−60.1%
Family Heads Under 30:			
High School Dropout	$13,221	$ 6,240	−52.8%
High School Graduate	$19,736	$13,600	−31.1%
Some College	$20,970	$16,860	−19.6%
College Graduate	$24,670	$24,000	− 2.7%
Family Heads Under 30:			
White, Non-Hispanic	$20,229	$16,000	−20.9%
Black, Non-Hispanic	$11,965	$ 6,000	−49.9%
Hispanic	$13,704	$ 9,600	−29.9%

Sweeping changes in the American economy since 1973 have undermined the earnings of the young workers, thereby jeopardizing the formation and stability of families. Unlike members of earlier generations, young workers today can no longer be confident of finding stable jobs with decent wages simply by getting a high school diploma or by being willing to work hard and tolerate harsh working conditions. As employment in manufacturing industries has declined and job growth has shifted toward the service sectors, advanced education and strong basic academic skills increasingly have become prerequisites for success in the labor market. Those who lack these credentials—regardless of how hard they work—are more and more likely to be left without earnings adequate to support a family.

Recent changes in the distribution of employment have been dramatic. For example, only 1.26 million workers were employed in the automobile and basic steel industries in 1986, compared with 1.82 million in 1973. These shifts have had a powerful impact on young workers, particularly young men without a college education. While more than one-third of all employed male high school dropouts and graduates between the ages of 20 and 24 had jobs in manufacturing industries in 1973, fewer than one-fourth of such young male workers held manufacturing jobs by 1986.

The loss of better-paying manufacturing jobs is not the only change that has contributed

to young workers' falling earnings. The failure to raise the federal minimum wage to keep pace with inflation since 1981 has reduced the purchasing power of millions of low-wage workers, who are disproportionately young. In 1979, among the tens of millions of Americans paid on an hourly basis, 13 percent earned the minimum wage ($2.90 per hour) or less. By 1986, 26 percent of all hourly workers earned less than $4.50 per hour, the inflation-adjusted value of the 1979 minimum wage. In other words, this group of lowest paid workers doubled, in part because the minimum wage was not raised to compensate for increases in the cost of living. The minimum wage problem is particularly acute for young workers: more than one-third of all hourly workers ages 20 to 24 were paid less than $4.50 per hour in 1986.

The growth of part-time and temporary jobs also has forced increasing numbers of young workers to settle for considerably lower earnings and less secure employment, typically without health insurance or other employer-provided benefits and with limited prospects for advancement or permanence. From 1979 to 1987, the proportion of workers under age 25 who were forced to accept part-time work even though they wanted full-time jobs doubled, reaching 9 percent in 1987.

Finally, the burdens of economic change and sluggish growth in some cases have been focused even more explicitly on young workers: nearly one in every 10 labor contracts now includes a two-tier wage structure that pays the newer (and frequently younger) employees less than more senior workers.

Family Formation. These shifts in the American economy have made it more difficult for today's young adults to meet their own basic needs and support their children. The shifts also have contributed greatly to falling marriage rates and the increasing prevalence of out-of-wedlock childbearing, exacerbating the risks of poverty among young families.

The capacity to support a family has a powerful impact on the marriage decisions of young people. More than two centuries ago Benjamin Franklin wrote: "The number of marriages . . . is greater in proportion to the ease and convenience of supporting a family. When families can be easily supported, more persons marry, and earlier in life."

If a young man has earnings that will support a family of three above the federally defined poverty line, he is three to four times more likely to marry than his peers with below-poverty earnings. From 1973 to 1986, the proportion of young men with below-poverty earnings increased by one-third and, as earnings dropped, marriage rates among young men also fell by one-third. If young men's marriage rates had stayed at 1974 levels, there would have been 4.4 million more married couples in 1987. Instead, the proportion of children born to women under age 30 who were born out of wedlock soared from 15 percent in 1973 to 28 percent in 1986.

Total Number of Births and Out-of-Wedlock Births to Women Under Age 30, 1973 and 1986

	1973	1986
Total Births to Women Under Age 20	**616,929**	**472,081**
Out-of-Wedlock Births	215,800	290,135
Percentage of Births that Were Out of Wedlock	35.0%	61.5%
Total Births to Women Ages 20-29	**1,989,389**	**2,301,638**
Out-of-Wedlock Births	162,200	481,850
Percentage of Births that Were Out of Wedlock	8.2%	20.9%

Economic hardships cannot explain all of the recent declines in marriage rates and associated increases in out-of-wedlock childbearing. Social norms and changing values also play a major role. Yet one-fourth to one-half of the recent declines in marriage rates can be explained simply by the increased proportion of young men who have earnings that are inadequate to support a family.

While young Americans are to some extent adapting their behavior to deal with their economic problems—as seen in part in the decline in the birth rate for teens (only 2 percent of young families are headed by teens) and women in their early twenties—they cannot adapt fast enough or thoroughly enough to cope with their rapidly deteriorating economic prospects. Earnings have fallen so precipitously that the effect of reductions in the marriage rate is far outstripping the effect of postponement of births. As a result, the share of all children in young families who were being raised by a single mother grew from one in five in 1974 to one in three in 1987.

THE CHANGING DEMANDS OF THE WORK PLACE

By the year 2000, more than 80 percent of all new entrants into the American work force will be women, minorities or immigrants. The number of people working on assembly lines will be less than 5 percent of the American work force. And the growth of the service sector threatens to create a greater economic gap between the skilled and semiskilled worker.

Labor Secretary William Brock, in an interview with several reporters from *The Washington Post*, talked of the changes taking place in the work place and expressed concern that without changes in our education and training systems the United States could evolve into a bifurcated "class society." An edited transcript follows.

Q: What does the term "service economy" imply for the American work force in the year 2000?

A: The skill base that we've developed in the last 200 years related to agricultural skills or manual skills. . . . [The] skills that are going to be required . . . basically thinking, reasoning, communicating skills that are in a whole different order than those we have thought about and worried about, certainly in the early part of this century, implies a need for much more effective educational system, much more emphasis on flexible training that allows people to adapt to technologies as they constantly change around them in the work place. . . .

But the portent of that is a disaster because you then can end up with a bifurcated work force, half or more of whom are employed productively in challenging, good jobs. And the remainder of whom are not just unemployed but they are unemployable, because they were not given tools by us. . . .

The job demand is going to be enormous. The demand for people with skills is going to be huge. . . . And the question is, do we have in place the systems, the processes, to provide those skills? And the answer is really no.

Q: At a time when you're cutting back on all sorts of spending programs, who will pay for it?

A: Oh, we're going to pay for it one way or another. The question is, do we pay for it in a fashion that yields a result that's affirmative. . . .

Business has to assume a major role. Now today business is spending already over $40 billion a year on training and retraining. A lot of that is in remediation. But it is . . . designed within a particular plant, within a particular company within a particular industry; that isn't going to do it. As we begin to run into skill shortages—which we will in the next three, four or five years—the amount of money being spent by businesses is going to have to increase substantially to develop in house some of those skills.

Q: What are the unacceptable consequences you see if we don't do it right in the next 15 years?

A: Something we fought a revolutionary war to get away from, and a civil war, and that is a class society. In this case not based on race but on ability to be productive as human beings. A noncompetitive economy that is based on services which still have to serve some industrial base, with a reduced industrial base, if we allow that to happen. All of which implies a stable if not declining standard of living. . . .

Women are now 44 percent of our work force. They will by the turn of the century be at 47 percent. Way over half of those women are going to have babies while they are in the work force. And most of them will have, or at least a large number of them will have, more than one. What that says is important in a couple of respects. One, we haven't begun to change our mentality about the nature of work to reflect that women will comprise almost half of our work force, and the special needs that they bring to the work force. . . .

We're going to need those women because we're going to need their skills. They are an enormous economic asset to the United States. But we do have to understand that we cannot build our economy and destroy the family in the process. And we haven't paid attention to that recently.

From *The Washington Post*, November 30, 1986.

Family Income. When examined without regard to the age of the family head, the median income of the American family was basically the same in 1986 as in 1973—a decline of less than 1 percent occurred. Family income fell substantially between 1979 and 1982, especially during the deep 1981–1982 recession, but the four years that followed saw steady economic growth that brought income back to 1973 levels.

The picture is drastically different for young families, however, as one would expect given their huge earnings losses. Young families did attempt to compensate for these earnings losses by sending second wage earners more frequently into the job market (when there was a second adult in the family), but their total family incomes in 1986 were still far below those of their counterparts in 1973. The median income of young families fell by 14 percent between 1973 and 1986. Very young families (headed by persons under age 25) suffered more than a 26 percent decline. Almost all of these declines occurred during the 1980s.

The cumulative income losses incurred by young families are massive. If young families' incomes had simply remained at their 1973 levels—without any of the growth that Americans have come to expect—they would have had an additional $21 billion in 1986 to help support themselves and their families.

Even these dismal figures for young families as a whole gloss over the reality families with children have faced. Young families without children actually gained a little in median income (2 percent), while those with children suffered all of the loss—their median income fell from $23,486 in 1973 to $17,500 in 1986, a Depression-level plunge of 26 percent.

This plunge is not solely attributable to the increase in the number of single-parent families with children (even though this increase alone would have caused median family income to drop because of the low incomes of female-headed families compared with those of married couple families). The increase in single-parent families did play a major role, however, particularly for very young families. It is one of the vicious cycles young families face: falling earnings for young men leading to declining marriage rates and an increasing likelihood that children will live in families headed by single mothers—families whose incomes are likely to be very low. Young women's wages are lower than those of young men, and female-headed families have far fewer alternatives to cope with economic adversity than do married couple families. They do not have a second adult who can enter the job market to help support the children (unless they can obtain child support from an absent father), and even the earnings of the female family head are further limited by their parental responsibilities.

Yet many young married couples also lost substantial ground, and they face a vicious cycle of their own: the dramatically falling earnings of the principal wage-earners have forced more and more spouses into the work force, imposing substantial child care costs on some and causing others to postpone having children. While the median income of young married couple families fell by only 4 percent from 1973 to 1986, the decline for married couple families with children was twice as large—8 percent—and would have been even larger if child care costs attributable to second earners' increased hours at work could be deducted from the families' total income. And the costs to young families—and to society as a whole—when married couples decide to forego childbearing entirely because of such economic strains are not measurable, but they are great.

Income Distribution. At the same time that the incomes of young families have fallen, the distribution of income among young families also has grown more unequal. Just the *increase* in income enjoyed by the wealthiest group of young families between 1973 and 1986 was greater than the *total* income received by the poorest fifth of all young families.

Children living in young families are concentrated disproportionately within those families with the least income. Half of all such children live in families that receive only 15 percent of the total income available to young families—an income distribution resembling that of developing nations such as Malaysia and Thailand. As a result, a child living in the poorest fifth of all young families in 1986 had to survive on a per capita annual income of only $1,122.

Poverty. Falling incomes and growing inequality in the distribution of income have resulted in a near doubling of poverty rates for young families—to 22 percent—between 1973 and 1986. Rising poverty rates affected all groups of young families, whether white, Black, or Hispanic—married couple or single-parent. Poverty rates also increased among families headed by high school graduates as well as dropouts. In fact, the greatest relative increases in poverty rates among young families occurred for whites, married couple families, and those headed by high school graduates.

For most age groups, the chances of being poor have risen and fallen with fluctuations in the economy during the 1970s and 1980s. Yet this basic link to economic conditions has been severed for young families, whose poverty soared throughout the 1980s and continued to rise even after overall economic conditions improved. The current recovery began in 1982. The overall poverty rate for older families (those headed by persons ages 30 to 64) started

Poverty Rates Among Young Families (1973 and 1986)

	1973	1986
All Young Families	12.3%	21.6%
Families With Children	16.1%	30.1%
Families Without Children	4.9%	4.4%
Married Couple	5.4%	9.2%
Female-Headed	56.5%	62.6%
White, Non-Hispanic	8.0%	15.2%
Black, Non-Hispanic	35.0%	45.6%
Hispanic	24.2%	33.6%
High School Dropout	28.5%	46.4%
High School Graduate	9.3%	20.5%
Some College	6.3%	9.9%
College Graduate	1.7%	2.5%

dropping in 1984. It was not until 1986 that increases in poverty rates halted for families headed by persons ages 25 to 29. And even in 1986 the poverty rate continued to rise for very young families, those headed by persons under age 25.

Trends by Region. The crisis young families face can be seen in every region. Since 1973, the median income of young families with children has fallen sharply in all regions, leaving today's young families throughout the nation at greater risk of poverty than their predecessors of 15 years ago.

Trends by Race and Ethnic Group. Falling incomes and rising poverty rates have affected all groups of young families, whether white, Black, or Hispanic. Young Black families suffered the greatest income losses (29 percent) between 1973 and 1986, leaving more than half of all young Black families with children in poverty. The median income of young Hispanic families also fell considerably—by 16 percent—and two of every five young Hispanic families with children were poor in 1986. Young white families experienced the smallest declines in income (8 percent) during this period, but the poverty rate among young white families with children more than doubled, reaching 22 percent by 1986.

Trends by Family Structure. While young married couple families are far more likely than young female-headed families to have adequate incomes, both groups faced greater risks of poverty in 1986 than they did in 1973. One in every eight young married couple families with children was poor in 1986, and their poverty rate has doubled since 1973. During the same period, poverty among young female-headed families with children also increased substantially, leaving more than two-thirds of such families living in poverty in 1986.

Very Young Families. Families headed by persons under age 25 have suffered the greatest declines in earnings and incomes since 1973. The median earnings of very young family heads with children plunged by 60 percent, so that by 1986 more than half (54 percent) of all children living in such families were poor. This deterioration of economic conditions for very young families is particularly troubling because they contain many of the nation's youngest and most vulnerable children: one in every three poor children under the age of six lives in a very young family.

Housing and Health Care. There has been much anecdotal as well as documentary evidence of the stresses on families in the 1980s. For example, groups such as the Physician Task Force on Hunger in America and cities responding to an annual U.S. Conference of Mayors survey have reported growing hunger and malnutrition and increased demand on emergency food providers. Two-thirds of that demand, according to the surveys, is coming from families with children. Other studies have documented more homelessness among young families, more latchkey children, more families living in stress, rising suicide rates among teens and young adults, and dramatically increased reports of child abuse and neglect.

This report examines three particular consequences of the economic decline for young Americans. One already has been discussed in this Overview: the huge decline in earnings has contributed to fewer marriages and growing rates of out-of-wedlock births and single-parent families, which in turn further depress family incomes and push up poverty rates. The other two consequences studied are young families' decreasing access to affordable housing and health care.

Owning a home is a centerpiece of the American dream. But while young families' incomes have fallen, average house prices have gone up 40 percent more than inflation. Also, real interest rates have risen. These factors have combined to make it increasingly difficult for a young family to enter the ranks of homeowners. The prospect of home ownership—the traditional route to family stability, long-term security, and middle class identity in the United States—is being closed off to millions of young Americans.

In 1973, it took 23 percent of the median income of a young family with children to carry an 80 percent mortgage on a newly purchased, average priced house. By 1986, this relative burden had more than doubled: it took 51 percent of median income to meet such average carrying costs on a new house. Not surprisingly, given the growing inadequacy of their incomes to meet home purchase costs, young families are purchasing homes substantially less frequently than their predecessors. Home ownership among families with children headed by persons under age 25 fell by more than 25 percent from 1973 to 1987. Many young families are forced to enter an increasingly expensive rental market, live with their parents, or—for the most desperate—shuttle between welfare hotels, shelters, automobiles, and the streets.

Young families also have found it increasingly difficult to gain access to health care as their earnings and incomes have declined and the availability of employer-provided health insurance has diminished. Young adults (ages 18 to 24) are the least likely of any age group to be covered by private health insurance, and the proportion without such coverage has grown substantially since 1974. More than one in five children in young families had no health insurance in 1986.

The lack of health insurance for many young families has contributed to the deterioration of their health status in several important respects. The percentage of pregnant women under age 30 receiving only late or no prenatal care rose considerably from 1976 to 1986. In contrast, the percentage of pregnant women over age 30 who received late or no prenatal care declined.

Recommendations for Restoration of a Fair Chance for America's Young Families

The growing economic plight of young families is the product of sweeping changes in the American economy and changes in the composition of the American family. Many of these trends will not be reversed quickly or easily. Our nation is confronted by an economy that too frequently generates jobs with wages and benefits that are inadequate to support the formation and maintenance of families. At the same time, too many children and youths are increasingly ill-equipped to fill jobs that demand a stronger foundation of basic academic and vocational skills.

America must respond to these new realities because young families are our future. As providers and care givers for the majority of our youngest and most vulnerable children, young families will shape the future of the next generation of Americans. Their strengths and weaknesses also will determine in large part the durability of our social fabric for decades into the future.

While society will continue to expect most young people to struggle and sacrifice as they marry and start families, the current combination of greater hours of work, falling wages, rising poverty, and lack of health insurance and affordable housing represents a range of hurdles for young families that goes beyond any reasonable challenge. It is an invitation to despair. The implicit pact our society has had in the past with its youngest families—that personal sacrifice and hard work will be rewarded—is eroding. Increasing numbers of young Americans are stymied even before marriage, and the labors of many young parents (particularly those with limited formal education) yield fewer economic returns.

We already are paying some of the costs generated by the growing economic plight of young families. For example, one in every eight young families, and more than half of all young female-headed families, received welfare benefits in 1986. Federal and state governments also spend much greater amounts to remediate the education, nutrition, health, and other problems associated with poverty. If our nation continues to neglect the needs of young families, these costs will continue to rise.

Economic growth alone cannot solve the problems of young families. Although the major findings in this report are based on an examination of trends between 1973 and 1986 (more recent data on the earnings, family incomes, and poverty rates of young families are not yet available), it is unlikely that the economic plight of America's young families has changed appreciably as the modest economic expansion has continued into 1988. The median income for all families grew by only 1 percent between 1986 and 1987, and preliminary 1987 poverty data suggest that the uneven recovery still has not reached the nation's poor families. Indeed, the overall poverty rate for Americans did not decline at all in 1987, despite the substantial drop in unemployment rates during that year.

THE UNRAVELLED SAFETY NET

While the economic problems of young families are overwhelmingly a result of changes in the job market and the composition of young families, federal and state government actions and inactions have exacerbated the problem. Running counter to its traditional role of helping Americans in serious trouble, the federal government instead targeted older teens, young adults, and young families for some of the worst cuts in safety net programs during the 1980s.

Many federal programs have never been well-suited to meet the needs of young families. Because young families have the least work history, they are less likely to be able to use more generous government programs such as Social Security and unemployment compensation, which are tied to participation in the work force. Even the Aid to Families with Dependent Children (AFDC) program has arbitrary barriers for some of the neediest young families with little prior work experience, requiring that at least one adult in a two-parent family be employed for six out of the previous 13 quarters before the family can obtain assistance.

Some income support programs also are poorly designed to meet the needs of the growing number of children in young families who are born out of wedlock. The record of state and federal child support enforcement efforts for such children is dismal, and Social Security rules still make it harder for children born out of wedlock to get benefits when their parents die or become disabled.

As inadequate as these programs have been for young families, they became even more so in the 1970s and 1980s. AFDC benefits fell by more than one-third in the median state from 1970 to 1987. The proportion of the unemployed receiving unemployment insurance benefits also fell during the past decade, from 43 percent in the 1978 to 31 percent in 1987. This decline in coverage has affected young workers and their families particularly.

The huge budget cuts in the early 1980s also disproportionately targeted young adults and their families and did so just as these groups were beginning to suffer their largest losses in the private economy. Food stamp benefits were reduced for all families, but some of the biggest AFDC and Medicaid reductions were aimed specifically at pregnant women, 18- to 20-year-old students, and teen parents. The public job creation program authorized under the Comprehensive Employment and Training Act (CETA), which gave many young adults their start in the job market during the 1970s, was eliminated and federal job training funds were cut in half. Child care and vocational education funding, job training funds for mothers on welfare, and summer youth employment programs all were reduced. Social Security benefits for college students whose parents were dead, disabled, or retired were eliminated.

Although some of these funds have been partially restored since 1982, most have not. As a result, the programs are much less effective in helping disadvantaged teens and young adults get a solid start and in helping poor young families survive. According to a Center on Budget and Policy Priorities analysis of data from the U.S. Census Bureau, nearly one of every five families with children that otherwise would have been poor in 1979 was lifted out of poverty by government cash benefit programs such as AFDC, unemployment insurance, and Social Security. But by 1986 these programs lifted out of poverty only one in every nine families with children that otherwise would have been poor. Had the 1979 poverty reduction rate been maintained, nearly half a million families with children would have been spared the ill effects of living in poverty in 1986.

Poverty among children actually increased slightly in 1987. Nearly all of that increase occurred for children under age three—the proportion of such children who were poor rose by 8 percent from 1986 to 1987. Given that poor children, and particularly the youngest children, are disproportionately concentrated in young families, these data strongly suggest that the plight of young families is not improving.

Today, poverty among young families appears even less likely to abate as a result of economic growth alone than in previous generations. In decades past, it was expected that sustained economic growth and general prosperity would bring substantial reductions in poverty among families. As recently as 1967, a majority of young families that were poor were married couples with considerable earnings potential; general improvements in the nation's

economy would lift many of them out of poverty. By 1986, however, two-thirds of all poor children in young families were living in female-headed families. Economic growth barely trickles down to them: the median annual earnings for all young female family heads were less than $2,000 in 1986.

Even within young married couple families, the earnings of young men without a college education have fallen so dramatically since 1973 that an additional period of modest economic growth by itself will do little to reverse their decline. At best, they will recapture a small fraction of the ground they have lost. Continued economic growth is clearly necessary but not sufficient to boost the incomes of young families in the 1990s and beyond.

Many of the steps necessary to rescue America's young families can be taken quickly—now and during 1989. Others will require a long-term investment strategy throughout the 1990s, one that will yield lasting dividends for future generations of young families and for our nation in the twenty-first century. Specifically, we must:

- Restore a strong economic base for young families by raising the federal minimum wage, expanding the Earned Income Tax Credit, investing in productivity improvements for young workers, and continuing to pursue full employment conditions;
- Respond more effectively to the new realities of a rapidly changing labor market by enacting the Act for Better Child Care Services, extending basic health insurance coverage to all lower-income families, strengthening child support enforcement and safety net programs for poor families, and launching home ownership and rental assistance programs for young families; and
- Prepare today's children and youths more adequately for productive roles in tomorrow's economy by expanding the successful Head Start, Chapter 1, and Job Corps programs, increasing investments to help noncollege-bound youths enter the job market, and bolstering college enrollments among poor and minority youths.

Restoring the Economic Base for Young Workers

Many young workers are surrounded by economic obstacles. Young workers, who are disproportionately concentrated in lower-wage jobs, have borne the brunt of the severe erosion of the real value of the minimum wage during the 1980s. Usually unprotected by seniority and increasingly unrepresented by a union, young workers with the least education and training in particular have seen their earnings further undermined. The labor environment for them is marked with high unemployment, two-tier wage contracts, and more contingent or temporary employment that typically offers neither job security nor basic employee benefits.

To help protect the well-being of today's young families and their children and encourage the formation of new families in the years ahead, we need to take the following steps:

First, the nation needs to revive its commitment to a "family wage" by restoring the federal minimum wage to its inflation-adjusted 1981 level. Proposals pending in Congress (as of September 1988) would move in this direction, raising the minimum wage to $4.55 per hour in incremental steps by 1991. This modest legislation would recapture most of the ground lost to inflation since 1981, although it would still leave a full-time minimum wage worker with annual earnings below the poverty level for a family of three.

Over the longer term, we must break the alternating cycles of activity and neglect by Congress and the Executive Branch. Such vacillation virtually guarantees that pay adjustments for minimum wage workers will lag behind increases in the cost of living. Provisions for annual review and adjustment of the federal minimum wage to keep pace with average pay levels (accompanied by appropriate mechanisms for congressional oversight) are long overdue.

Second, a more adequate minimum wage will need to be reinforced by efforts to supplement the incomes of those parents whose wages are still too low. Even with a more adequate wage floor, some parents still will be unable to earn enough in low-wage, part-time, or part-year jobs to support their families adequately.

The Earned Income Tax Credit (EITC) currently provides much-needed income support for working families with dependent children and earnings below or slightly above the poverty level. As rising payroll taxes (primarily Social Security) have reduced the disposable incomes of working parents, the EITC has helped offset this tax burden for poor families with children and supplemented their meager earnings.

The EITC has proven quite effective in helping low-income families with children, whether young or old. However, the EITC currently varies only with the level of earnings and does not increase with family size. By raising the credit (and the maximum earnings levels at which it applies) and expanding such assistance to those families with more children, Congress could make the EITC an even better device to alleviate the plight of working poor families, including many young families, with children.

Third, the productivity of young workers must also be increased to enhance their ability to earn higher real wages and to contain inflationary pressures. The wage trends are a reminder that we need to invest in the human capital of young workers at the same time that we help other young adults secure employment. Boosting the literacy of young workers, an effort begun in the omnibus trade legislation recently enacted by Congress, should improve their ability to benefit from further training and increase their productivity. An expansion of apprenticeship training and structured on-the-job training opportunities for young adults also can contribute to the development of a more highly skilled and productive labor force. Most importantly, however, the productivity of our next generation of workers will be bolstered by early investments in education and training for today's children and youths as outlined later in this Overview.

Finally, continued pursuit of full employment conditions is essential to enhance the likelihood of full-time and year-round employment for young adults, especially those without a college education. The high unemployment rates by historical standards that prevailed throughout the first half of the 1980s sharply increased joblessness among young workers and reduced their hours of work. Young men with the least education have suffered the greatest losses in annual earnings as a result of these trends. Sustained efforts to combat future increases in unemployment would strengthen the labor force attachment of young adults and expand both full-time and year-round job opportunities for them.

As a means of both increasing the earnings of young workers in areas of high unemployment and bolstering their incentives to participate in education and training activities, the federal government should develop and support carefully targeted community service projects that provide paid work for unemployed young adults. Such projects can meet the training and employment needs of young American while also carrying out essential repairs and improvements in low-income neighborhoods. Many state and local communities already have mounted such initiatives on a limited scale, but federal support for these programs is necessary to increase the extremely low earnings of some groups of young workers.

A combination of full-employment conditions in our labor markets, an increased real minimum wage, and expanded tax benefits for lower-income families would reduce substantially the number of young working poor families. At the same time, these steps will help ensure that a nation that values work and takes pride in the work ethic also begins to help assure that families can escape the ranks of the poor through year-round employment.

Responding to the New Realities of the Labor Market

A stronger wage base, expanded employment opportunities for young workers, and support through the tax system for families with low incomes are prerequisites for the formation and preservation of young families. Beyond these first steps, however, we must respond to the new realities of today's labor market that frequently demands greater work effort from young families, yet provides fewer economic benefits in return.

The new realities of the labor market are all around us: young families increasingly need two wage earners to support children; our society increasingly demands that single parents work; and new job growth is disproportionately concentrated in part-time or temporary jobs or service sectors of the economy that rarely provide substantial employee benefits. For all these reasons, greatly expanded efforts are necessary to meet the child care and health care needs of members of young families. Indeed, the massive income losses described in this report are understated, since they do not include the additional losses as a result of growing out-of-pocket expenditures for child care by young families and the effective income loss caused by declining health insurance coverage.

Today, 9.5 million preschool children have mothers in the work force. By 1995, two-thirds of preschool children and four-fifths of school-age children will have mothers in the labor force.

The nation's child care system is ill-prepared to respond to these trends. Many young working parents cannot afford child care, the cost of which averages $3,000 or more a year per child. Care for infants is even more expensive. Parents too often must leave young children home alone or in inadequate and often unsafe child care settings. For many young families, the child care system is unaffordable or inaccessible. It is a system in crisis.

Immediate enactment of the Act for Better Child Care Services (the ABC bill)—H.R. 3660/S. 1885—would begin to respond to this crisis. Passage of ABC would restore the federal government as an energetic leader and a partner with state and local governments and employers in the effort to assure that children in working families get safe, quality, affordable, and accessible care.

The need for an expanded federal role is clear. Child care rarely is offered as an employment benefit—only about 3,000 out of 6 million employers provide any child care assistance,

and even that assistance is more likely to be a referral program or seminars on available community resources than provision of or payment for child care. And although some states and localities have made valiant efforts to meet the rising demand for child care help, most have not, and many lack the necessary resources.

The second new reality of the labor market that demands a response to help young families is the decline of employer-based health insurance coverage. Young adults and children, especially those dependent on young workers, are the most likely groups in American society to lack any health insurance coverage from a public or private source. Employment does not guarantee health insurance coverage for young workers and their dependents, particularly when the workers are part-time or part-year workers, or employees in retail trade and many other service industries.

To remedy these problems that adversely affect the health of both today's young workers and the work force of the future, Congress and the states must reform both the public and private health insurance systems so that all children and parents are insured and have access to basic health care regardless of the industry in which the parents work, the size of their firm, or the number of hours they work per week. Having a parent who can obtain continuous, full-time employment in an established firm with a well-developed fringe benefit package should not be a prerequisite for a child to get the medical, dental, hospital, and other health care he or she needs. At a minimum, Congress must extend Medicaid to all pregnant women and children under age 18 with family incomes less than 200 percent of the federal poverty level.

Third, we must repair the safety net to protect young families. Falling welfare benefits (the median state AFDC benefit, adjusted for inflation, fell by one-third from 1970 to 1987), exacerbated by large social program budget cuts of the early 1980s that were in many ways targeted on young families, have had a devastating effect. Young female-headed families in particular have suffered large losses in family income during this period.

Much more energetic child support efforts are a first step to raise the incomes of such families. It is important to reinforce the responsibility of young parents as the primary source of support for their children. But, as this report has shown, the fathers of the children in young families, whether or not married to the mothers, have suffered huge losses in earnings. Although they should be subject to child support obligations, many are increasingly unable to pay amounts adequate to support their children. A variety of other steps also are needed to provide an adequate foundation of income support for young families that are unable to meet their basic needs through child support and earnings alone.

AFDC benefits must be raised to levels more nearly adequate to meet the costs of raising a family. The federal government should provide the stimulus for such efforts by mandating that states over time provide AFDC payments that, when combined with food stamps, lift families to at least 75 percent of the poverty level. In addition, to encourage the formation and maintenance of two-parent families, states should be required to provide AFDC to families with unemployed parents. Moreover, arbitrary restrictions on eligibility for two-parent families under the AFDC-Unemployed Parent program—which now deny benefits to needy families if the principal wage earner has not been employed for at least six out of the previous 13 quarters (a requirement that is particularly difficult for young parents to fulfill)—should be removed.

Meeting the housing crisis for young families is a necessary fourth step. A wide range of actions is necessary, including steps to reduce real mortgage interest rates, help for first-time buyers seeking access to the home-buying market, and rental assistance for young families that cannot cope with soaring rental costs. Our society has vast experience with programs to expand home ownership—it is precisely what the nation did for young families after World War II through the GI Bill and other programs. What is needed now is a renewed commitment and a recognition of the importance of home ownership, along with a range of forms of assistance that will combat falling home ownership rates. In addition, we must reduce soaring rent burdens and growing homelessness by assuring that young families have adequate incomes, replenishing the supply of affordable rental housing, and targeting increased rental assistance to families that cannot meet rising rental costs.

Preparing Today's Children and Youths to Build Tomorrow's Families

The aging of America's population forces us to rely more heavily upon each child and youth to become a productive worker. There will be fewer young adults entering the work force in the next decade, and more of them will be women or from minority groups. To promote the nation's continued growth and prosperity, our society will need all of our young people to be healthy, educated, and productive, including those from groups that in the past have been disproportionately poor, undereducated, and untrained.

This would be true even if the nature of the economy were not changing, but the employment shifts and related increase in educational requirements for family-sustaining jobs magnify the need to prepare all our children. The sharply declining earnings and incomes and rising poverty rates among young families headed by high school dropouts and graduates are simply the most graphic demonstration of the growing importance of education and training to prepare young workers for the labor market.

If America is to avoid the continuing deterioration of economic prospects for young families, we must begin now to invest in the basic academic and vocational skills of the next generation. In some cases, these investments will yield immediate returns in greater earnings for young workers who are just entering the job market. Other investments will require more patience but will generate long-term savings well into the twenty-first century. This section describes just a few of the initiatives necessary if the country is to meet its obligation and need to train and educate children and youths.

We can begin by reinvigorating the federal role of assuring that poor and minority children get equal access to a high quality education and a foundation of strong basic academic skills. Many of the most effective federal investments are in the basic skills of young Americans, but they are tragically underfunded. The successes of Head Start and the Chapter 1 federal compensatory education program are well documented, yet Head Start reaches fewer than one in five and Chapter 1 only one in two of the children in need of such assistance. As recommended by prominent business groups, educators, and a broad range of study commissions that have examined the educational problems of disadvantaged children and youths, a major new commitment to substantially increased federal support for these program is long overdue. We need to expand Head Start over five years so that it serves half of all eligible children and build Chapter 1 so that it reaches all eligible children by 1992.

We also need to forge a federal-state partnership to support the development of community learning centers, helping local agencies and community groups strengthen their efforts to improve the basic skills of young Americans. A combination of federal grants to encourage the establishment of such learning centers and state-administered loan funds to help community groups purchase cost-effective educational materials would expand key out-of-school learning opportunities for youths.

A strong foundation of basic academic skills will go a long way toward preparing young workers for the labor market. But the massive earnings losses for noncollege-bound youths show that we have to do more to help them make the transition directly from school to work. Other Western democracies have long recognized the need for a system of vocational training and job placement that assists young people as they enter the job market. Yet in the words of the William T. Grant Foundation Commission on Work, Family and Citizenship, young Americans who do not go on to college are the "forgotten half," largely ignored by government and community efforts in the belief that they will make it on their own.

Relatively low-cost models for school-to-work transition efforts, such as Jobs for America's Graduates, have proven effective in raising employment rates and subsequent earnings among high school graduates. These programs provide employment preparation, job placement assistance, counseling, and peer support. Over the long term, such projects also have the potential to increase high school completion rates by bolstering young people's confidence that a diploma will lead to a stable job at a decent wage. These existing efforts must be strengthened and greatly expanded through the use of matching federal funds that will allow states to replicate such programs for high school juniors and seniors in many low-income communities.

Young people who drop out of high school often need more intensive assistance to gain a foothold in the job market. The federal Job Corps program has built an impressive track record of success in working with more disadvantaged teenagers and young adults, but serves only 3 percent of all unemployed teens. Job Corps funding should be increased steadily in future years, both to allow the current residential program to serve tens of thousands more youths and to explore ways of adapting the Job Corps model to nonresidential settings.

In addition, we must identify new approaches for providing more advanced vocational skills training to disadvantaged youths. Many job training programs currently funded through the federal Job Training Partnership Act (JTPA) do not serve those youths who face more severe barriers to employment, often turning such young people away because they fail to meet the JTPA programs' entry-level reading requirements. JTPA's current structure and rules encourage such shortsighted behavior by placing excessive emphasis on immediate job placement and success rates. To overcome these problems, the federal government should strengthen its enforcement of existing JTPA provisions that require states to target federal resources on those young people most in need of assistance, and provide additional funds to states that mount comprehensive efforts to serve this group.

Finally, a college education continues to be one of the best protections against declining

incomes for young families. Only college graduates escaped major earnings losses during the 1973–1986 period. Ironically, at the same time that a college education has seemed so important, enrollment rates among minority youths have fallen. In 1977, half of all 16- to 24-year-old recent high school graduates—whether white, Black, or Hispanic—were enrolled in college. By 1986 the white rate had risen to 56 percent, while the Black rate fell to 37 percent, and the Hispanic rate dropped to 44 percent.

The failure of student aid programs to keep pace with tuition costs, as well as the increasing proportion of aid provided through loans rather than grants, are at least partially responsible for this reversal of gains made during the 1960s and 1970s to equalize access to a college education. In order to ensure that young people from low-income families can attend college, the federal government should fully fund the Pell grant program and rely more heavily on Pell grants rather than loan programs in future years to encourage more enrollment by low-income students and to prevent student indebtedness from rising to prohibitive levels. AFDC and Social Security benefits for students in their late teens and early twenties—eliminated in 1981 in a shortsighted effort to achieve budget savings—also should be restored. Finally, federal support for programs that provide counseling, tutoring, and other supportive services to low-income students should be increased to stimulate and maintain college enrollments.

The recommendations outlined previously provide a framework upon which to build a renewed opportunity for all of America's young families. Their well-being is the source of our nation's long-term strength and security. The following chapters in this report show the ways in which we as a nation currently are failing to meet this goal.

2

A PROFILE OF YOUNG FAMILIES

A PROFILE OF YOUNG FAMILIES

Finding

The health and well-being of America's children depend greatly upon the strength of the nation's young families.

Key Facts

- The majority of American children spend part of their lives in a young family. Nearly one in five is living in a young family in any given year.
- Two-thirds of the nation's young families have at least one child. As of March 1987, 10.5 million children lived in young families .
- An increasing share of young families are Black or Hispanic, rising from 18 percent in 1974 to 26 percent in 1987.
- The share of children in young families who live in female-headed families increased from one in five in 1974 to one in three in 1987.
- Marriage rates among young men in their twenties have fallen by one-third between 1970 and 1987, while the proportion of births to young women under age 30 that were out of wedlock has nearly doubled since 1973.
- Only 2 percent of young families are headed by teenagers.

Key Term

"Young families" are defined in this report as all those headed by persons under the age of 30. These families do not necessarily contain children, although most do. Any two or more related individuals living in the same household (including, for example, married couples without children) are counted as a young family if the head of the household is under age 30.

Young Families Shape the Future of America's Next Generation

The early physical, educational, social, and psychological development of America's children depends greatly upon the stability and economic well-being of the young families that nurture them.

Most American children begin their lives in a young family and spend crucial developmental years while their parents are still in their teens or twenties. Indeed, nearly three-fourths of all children born in the United States have mothers under the age of 30. While some of these children are born into married couple families headed by older men and therefore never live in a young family, most American children will spend one or more years (and as much as 10 or 12 years) in families headed by parents under age 30. Many will spend six or nine or 12 years in such a family.

At the same time that a majority of children are born into young families, considerably fewer are living in a young family at any given time. Some parents reach age 30 soon after their children are born, and others do so as their children grow older. Still, nearly one out of five American children (18 percent) lives in a young family today.

If young families suffer, children suffer and the nation suffers. The futures of these children—the next generation of Americans—are shaped and molded in large part by the strength and economic well-being of the young families in which they grow up.

In Some Ways, Young Families Have Not Changed: Their Size and Numbers Have Held Constant in Recent Years

The number of young families in America has declined only slightly since 1974.

- In March 1987, 9.3 million families were headed by persons under the age of 30, compared with 10.0 million in March 1974. Roughly one in every seven American families in 1987 was a young family.
- Because of this gradual drop in the number of young families, the total number of children living in young families also decreased by 7 percent between March 1974 and March 1987.

The proportion of young families that have children remained virtually unchanged during this period.

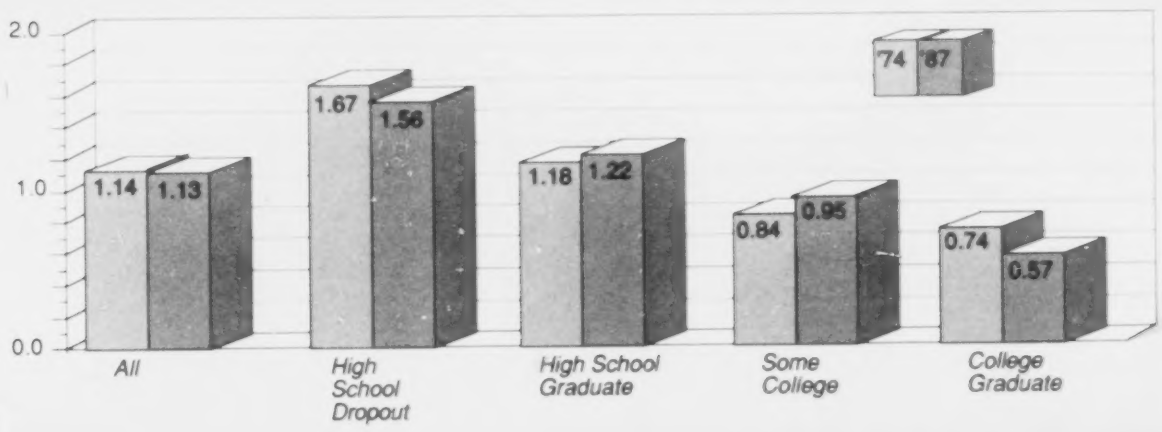
- Two thirds of all young families have children. In contrast, only slightly more than half of families headed by persons ages 30 to 64 contain children.

The average number of children in young families (1.13 in March 1987) also has not changed significantly in recent years.

- The average number of children per family has fallen substantially for more disadvantaged groups of young families, however, including those headed by Blacks (down 8 percent), Hispanics (down 2 percent), women (down 14 percent), and high school dropouts (down 7 percent).

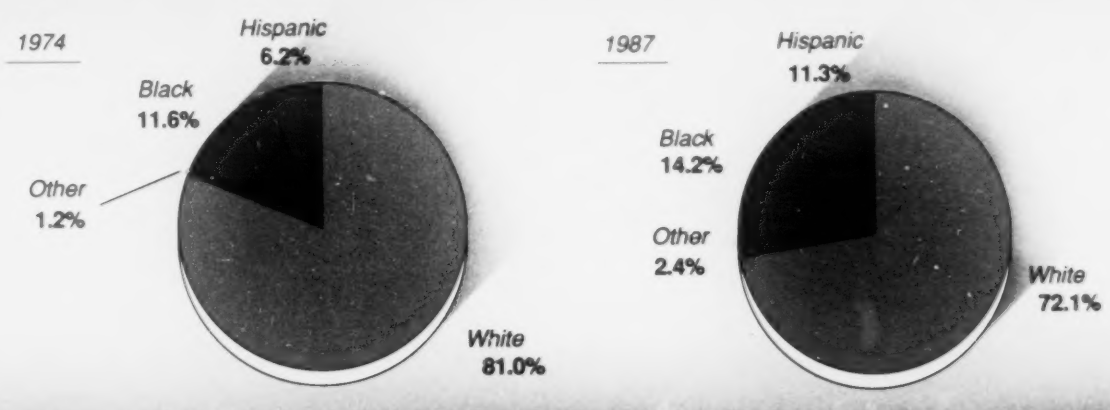
Average Number of Children in Young Families by Education of Family Head

(March 1974 and March 1987)



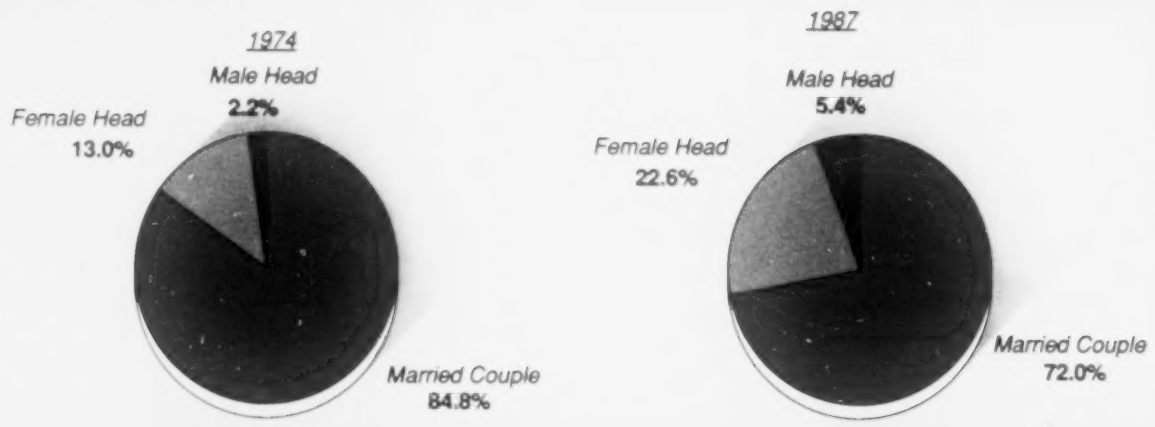
Distribution of Young Families by Race

(March 1974 and March 1987)



Distribution of Young Families by Family Type

(March 1974 and March 1987)



Percentages of Young Families with One or More Children
(March 1974 and March 1987)

	1974	1987
One or More Children	65.8%	67.0%
No Children	34.2%	33.0%

• Family size remains strongly related to the educational attainment of the family head. Young families headed by high school dropouts have nearly three times as many children on average as those headed by college graduates, in part because many such graduates postpone having children until they are in their thirties.

In Other Important Ways, Young Families Are Changing Dramatically: More Young Families Are Black or Hispanic, and an Increasing Proportion of Young Families Are Headed by Women

A growing share of all young families is minority, with the number of young Hispanic families increasing at the fastest pace.

• Of all families headed by persons under age 30 in 1987, 72 percent were white, compared with 81 percent in 1974.

• The share of all young families that are Hispanic has nearly doubled, climbing from 6 percent in 1974 to 11 percent in 1987.

Fewer young families are now headed by married couples, while increasing numbers are headed by single, never-married women.

• The proportion of all young families headed by a married couple has fallen steadily, from 90 percent in 1968 to 85 percent in 1974 and 72 percent in March 1987. Almost all of the others are female-headed families—the majority of which are headed by never-married women as opposed to divorced or separated women.

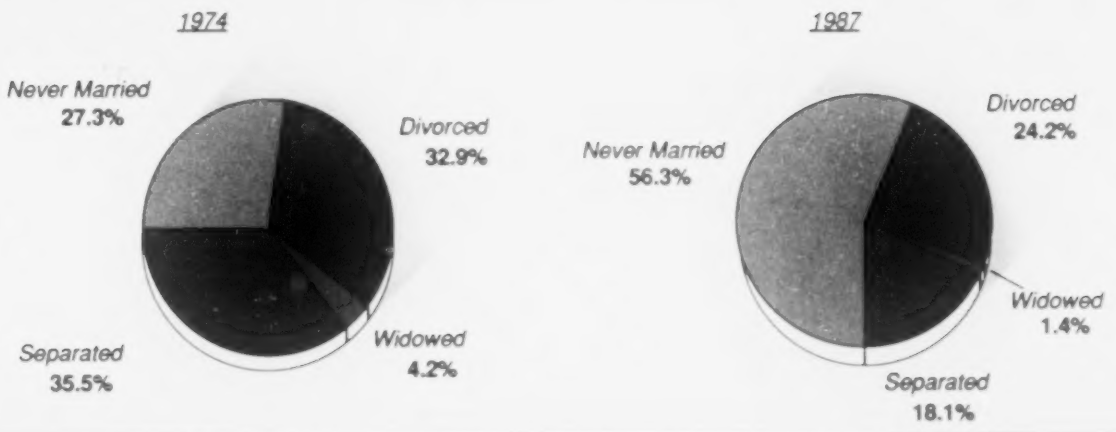
• The share of young female family heads (under age 30) who have never married more than doubled between 1974 and 1987, and has nearly tripled since 1968.

Children in young families increasingly are concentrated in minority and female-headed families, which traditionally have experienced the greatest economic problems.

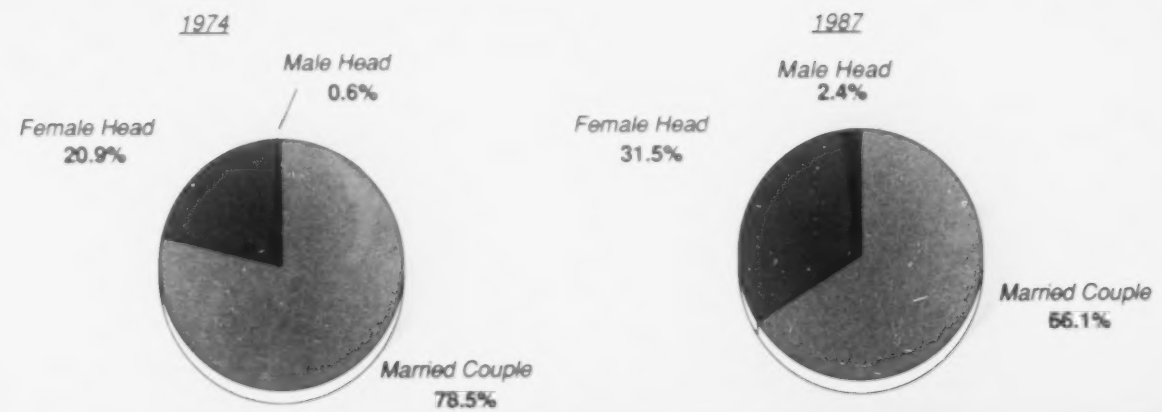
• One in every three children living in young families in 1987 was Black or Hispanic, compared with one in four in 1974.

• Nearly one-third of all children living in young families in 1987 resided in a female-headed family, up from one-fifth in 1974.

Marital Status of Women Who Head Young Families
(March 1974 and March 1987)



Distribution of Children in Young Families by Family Type
(March 1974 and March 1987)



Despite Falling Teen Birth Rates, the Proportion of Births to Young Women That Are Out of Wedlock Has Increased Because Marriage Rates Among Young Americans Have Fallen Rapidly

Contrary to what many believe, the growth in the number and proportion of single-parent households is not the result of more teenagers or women in their early twenties having babies. Teen birth rates have fallen for more than a decade, and only half as many families were headed by teenagers in 1987 as in 1974.

- Birth rates to women ages 15 to 17 fell by 17 percent between 1974 and 1985 (the most recent year for which these data are available); for women ages 18 and 19, birth rates dropped by 9 percent.
- One in eight young families was headed by an individual under age 22 in March 1974; by 1987, only one in 12 young families was headed by such a young parent.
- Only 2 percent of all young families were headed by teenagers in March 1987.

While birth rates among young adults have fallen, their marriage rates have declined even more rapidly. Since 1970, fewer young men and women are marrying in their twenties.

• Between 1970 and 1987, the proportion of young men ages 20 to 24 who had married fell by one-half (from 45 percent to 22 percent), while for young men ages 25 to 29 this marriage rate dropped by more than one-fourth (from 80 percent to 58 percent).

• Similar declines in marriage rates have occurred among young women: the proportion of women ages 20 to 24 who had married fell by more than one-third (from 64 percent to 39 percent), and among women ages 25 to 29 the marriage rate dropped by one-fifth (from 89 percent to 71 percent).

• Marriage rates declined among all racial and ethnic groups between 1970 and 1986, although they fell most sharply—by considerably more than half—among young Black men and women. Only one of every eight Black men ages 20 to 24 and one of every four Black women in this age group had ever been married in 1986.

Part of the reason why fewer young men are marrying in their twenties is because their earnings are increasingly inadequate to support a family. Young men with annual earnings greater than the three-person poverty line are far more likely to marry in their twenties than those without such adequate earnings.

• The proportion of young men between the ages of 20 and 29 who earned enough to support a family of three dropped from 71 percent in 1973 to 60 percent in 1986.

• The proportion of young men with above-poverty earnings dropped more sharply among those groups that have suffered the greatest earnings decline since 1973—from 83 percent to 68 percent for young male high school graduates, from 68 percent to 44 percent for young male dropouts, and from 62 percent to 41 percent for young Black men.

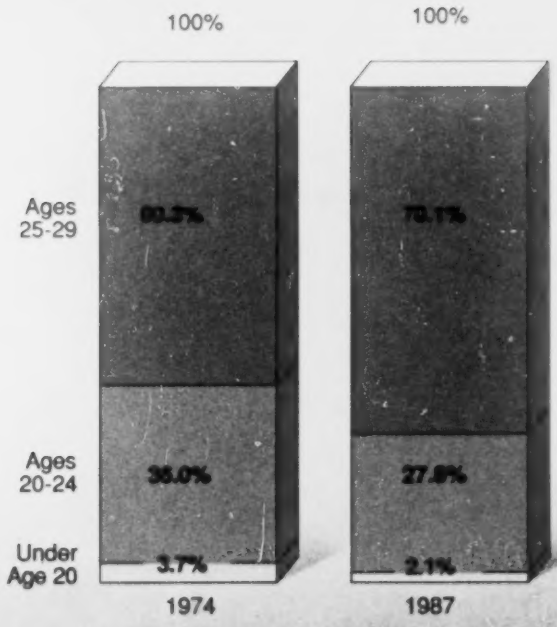
• Young men with earnings adequate to support at least a small family are three to four times more likely to marry in their twenties. In 1986, marriage rates ranged between 11 percent and 20 percent for young men ages 20 to 29 with earnings below the three-person poverty level, but jumped to between 33 percent and 65 percent for young men with above-poverty earnings.

• Many other social and economic factors also have influenced the marriage patterns of young Americans, but the earnings losses of young men have played an important role. Among those groups of young men who have suffered the greatest earnings losses, between one-fourth and one-half of the declines in their marriage rates can be explained by the dwindling proportions of such young men who earn enough to support a family.

• The relationship between young men's earnings and marriage rates also helps to explain some of the racial differences in marriage patterns. For example, the lower earnings of

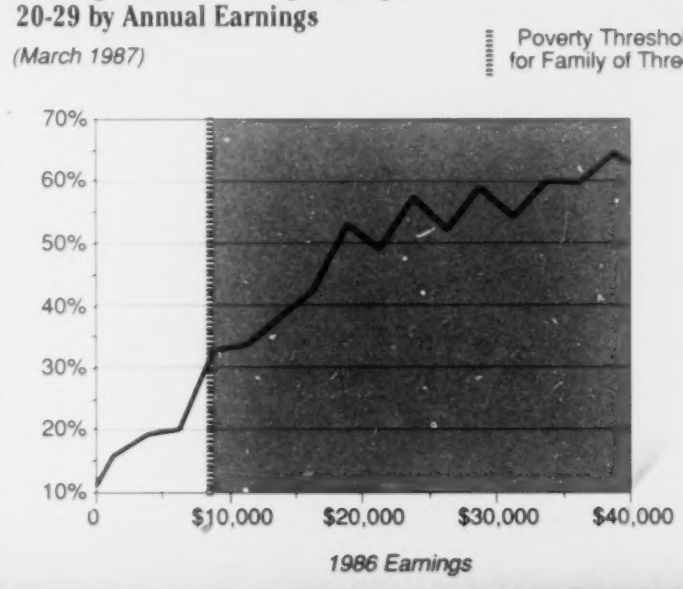
Distribution of Young Families by Age of Family Head

(March 1974 and March 1987)



Marriage Rates of Young Men Ages 20-29 by Annual Earnings

(March 1987)



young Black men accounted for roughly half of the disparity between their marriage rates and those of young white men in March 1987.

As a result of falling marriage rates among young Americans, an increasing proportion of all births to young women are out of wedlock.

- In 1973, only 15 percent of all births to women under age 30 and 19 percent of births to women under age 25 were out of wedlock.
- By 1986, the share of all births that were out of wedlock nearly doubled, climbing to 28 percent for women under age 30, and 38 percent for women under age 25. Nearly 80 percent of the 772,000 out-of-wedlock births to women under age 30 in 1986 were to women under age 25.

3

THE GROWING ECONOMIC PLIGHT OF YOUNG FAMILIES

EARNINGS OF HEADS OF YOUNG FAMILIES

Finding

The earnings of heads of young families have fallen sharply since 1973, undermining the capacity of young adults to form families and provide and care for their children.

Key Facts

- For heads of young families, median annual earnings declined by 30 percent between 1973 and 1986. For those with children, the median fell 39 percent.
- The earnings of Blacks and of high school dropouts heading young families plummeted to half of their prior levels.
- The earnings gap between the less educated and the more educated grew dramatically, as did the gap between Blacks and whites.
- While many factors have contributed to these earnings declines (including more joblessness and the growth of part-time or temporary work), lower wage levels for young workers and the rising share of young families headed by women are the principal causes of falling median earnings for young families.

Key Terms

"Median annual earnings" refers in this section to the amount of money (in 1986 dollars, adjusted for inflation) earned from employment over the course of the year by the head of a young family. By definition, half of all young family heads earn more than the median, while half earn less.

The "family head" (or "householder" as classified by the Census Bureau) is usually the husband in a married couple family. While there are a small number of single-parent families headed by men, most single-parent families are headed by women. The earnings of other family members (spouses or other relatives) are not included in the median earnings of the family head but are counted as part of total family income discussed in the following section of this report.

Earnings for Young Family Heads Have Fallen Dramatically

Young workers have borne the brunt of the nation's economic turmoil since 1973. The United States has suffered energy price and supply crises, spurts of rapid inflation, the most severe recession since the Great Depression, and profound changes in the industrial and occupational distribution of jobs and the structure of the economy. While older workers suffered modest losses of earnings as they attempted to weather these storms, young workers have incurred huge losses.

Even the lengthy but modest economic recovery since 1982 has not reached down to many younger workers. As a result, the wages and annual earnings of Americans starting out in the job market have plummeted far below those enjoyed by young workers 15 years ago. Young people are now less able to lay the foundation for their own economic security, form stable families, and provide adequate support for America's children.

Although median earnings (adjusted for inflation) for older and more established workers who head families fell substantially from 1973 to 1986, heads of young families fared far worse: they suffered a 30 percent drop in their median earnings.

- Earnings losses have been most severe (42 percent) among family heads under 25, but median earnings have fallen by more than one-fourth even among those ages 25 to 29.

• More than half of the decline in median earnings for young family heads has occurred since 1979.

Young Family Heads with Children Have Incurred the Largest Earnings Losses

Among all heads of young families, those with children have fared much worse than those without children.

• The median earnings of young family heads with children dropped by 39 percent between 1973 and 1986, compared with 14 percent for heads of childless families.

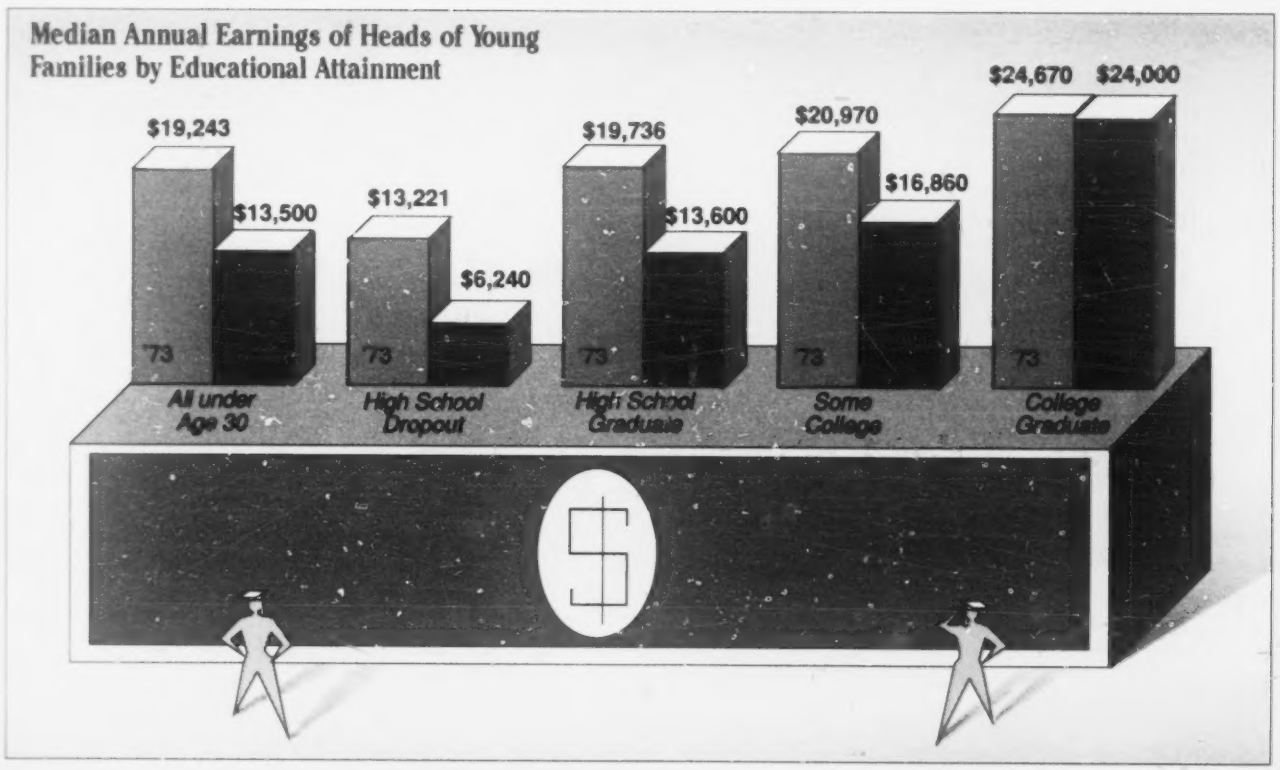
• As recently as 1973, heads of young families with children had higher earnings than those without children. By 1986, the median income of heads of young families with children was substantially below that for heads of young childless families.

• Parents under age 25 faced even bleaker prospects, experiencing a 60 percent decline in median earnings. The sharp rise in the number of families headed by single parents in this age group contributed to the severity of these earnings losses.

Median Annual Earnings of Family Heads* by Age of Head (1973 and 1986)
(in 1986 dollars)

	1973	1986	% Change 1973-1986
All Family Heads Under Age 30	$19,243	$13,500	−29.8%
Family Heads Under Age 30 With Children	$19,736	$12,000	−39.2%
Family Heads Under Age 25 With Children	$15,049	$ 6,000	−60.1%
All Family Heads Ages 30-64	$24,670	$21,000	−14.9%

*Median annual earnings data (as well as family income data in the following section) are based on survey responses by the family heads, who usually report their earnings or incomes in "round" numbers. However, when data for years prior to 1986 are adjusted for inflation, they are multiplied by a conversion factor to reflect increases in the cost of living through 1986 and thereby lose their "roundness." Earlier data may look different, but they are drawn from the same source.



The Earnings of Young Family Heads with the Least Education Also Have Plummeted

Earnings for young family heads are strongly related to their level of educational attainment. Those with the least education have experienced the most dramatic earnings losses—more than 50 percent. While Americans with more education have always had higher earnings than their peers, the data for earnings by education show that this gap has grown markedly since 1973 among young family heads. It is now far less likely that high school dropouts, or even high school graduates in many cases, will be able to earn enough to support their families.

- The median earnings of high school dropouts under age 30 who head young families fell by more than one-half (53 percent) from 1973 to 1986. For those dropouts under age 25, median earnings fell by more than 70 percent, from $11,842 to $3,456.
- Even those young family heads with a high school diploma (but without further education) have suffered a decline in median earnings of nearly a third.
- Only those family heads under age 30 with a college degree were shielded from substantial earnings losses between 1973 and 1986. By 1986 the median earnings of these graduates ($24,000) were four times greater than those of young family heads who were high school dropouts ($6,240), whereas in 1973 they were less than double.

Even among young married couple families, those family heads with only a high school diploma or less experienced sharp earnings losses.

- Median earnings for heads of young married couple families without a high school diploma fell by 32 percent, from $17,239 in 1973 to $11,770 in 1986.
- High school graduates heading such families experienced a 22 percent drop in median earnings.

The increasing importance of education is reflected in the median earnings of heads of young families of all races.

- The median earnings of high school dropouts who were young family heads plunged sharply between 1973 and 1986 regardless of race: by 48 percent for whites, 41 percent for Hispanics, and 100 percent for Blacks (more than half of all young Black family heads without a high school diploma had no earnings in 1986, and as a result their median annual earnings were $0).
- Young high school graduates who head families experienced similar declines in earnings during this period: 27 percent for whites and Hispanics, and 62 percent for Blacks.
- While median earnings for young white college graduates who head families fell only slightly and those for young Hispanic college graduates even increased, young Black college graduates suffered earnings losses of 31 percent.

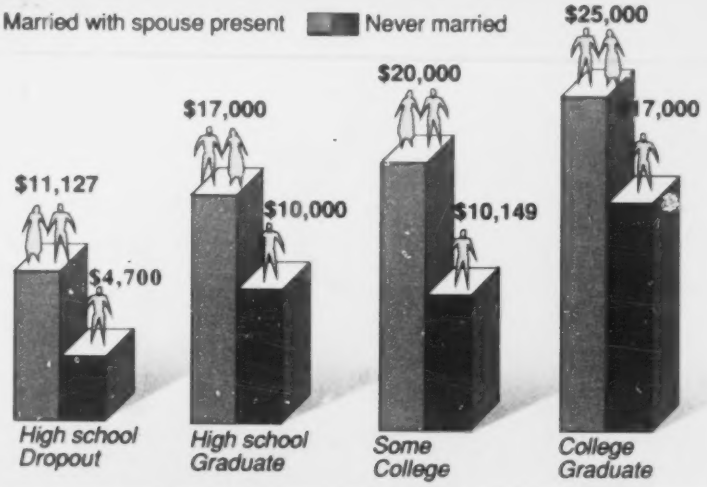
Lower Average Wages, Rather than Fewer Weeks or Hours of Work, Are the Principal Cause of Falling Median Earnings for Most Young Family Heads

The large earnings losses suffered by young family heads reflect both demographic and economic changes. A shift in the composition of young families—with an increasing share of young families headed by single parents or minorities—has created a larger pool of family heads with traditionally lower earnings. That is the demographic change. But the economic change also has been dramatic. Among only those young people who head married couple families, median earnings still dropped by 16 percent between 1973 and 1986. Similarly, the earnings of heads of young female-headed families, considered separately, fell by 28 percent during this period.

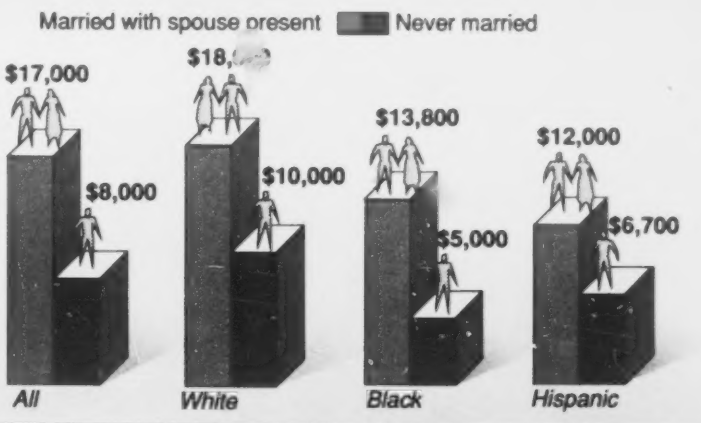
The economic changes confronting young workers have come from many directions. Higher-paying manufacturing jobs, in previous decades a primary route to the middle class for many young workers not going on to college, are no longer a major source of employment for those entering the job market with only a high school education. Job opportunities for young workers have shifted to the service sector, typically providing not only lower wages to those with less education, but also less full-time and year-round employment, few if any employer-provided benefits, and limited prospects for advancement. More formal education and strong basic academic skills have increasingly become a prerequisite for attaining adequate earnings and the ability to support a family in the service economy.

At the same time that these industrial shifts have occurred, the wage base for younger workers also has eroded. As recently as 1979, full-time, year-round work at the minimum wage yielded earnings adequate to lift a family of three out of poverty. But the minimum wage has not been increased since January 1981. By 1987, as a result of inflation, such full-time, year-round minimum wage jobs provided annual earnings of less than 75 percent of the poverty threshold for a small family. This erosion of the wage floor has accelerated the sharp decline in the median earnings of young workers.

Median Earnings of Young Men (Ages 20-29) by Marital Status and Educational Attainment
(1986)



Median Earnings of Young Men (Ages 20-29) by Marital Status and Race
(1986)



While it is impossible to measure the separate impact each of these economic changes has had on the earnings of young family heads, the evidence strongly suggests that lower average wage levels (rather than increased unemployment or more part-time work) have been the primary cause of dramatic earnings losses for many young families.

- Among employed men who head young married couple families, more than 90 percent of the drop in annual earnings between 1979 and 1986 was a result of lower hourly wage rates. These declines in hourly wages for young employed men were concentrated almost entirely among high school dropouts and graduates not going on to college. The rest of the overall drop in annual earnings for employed young men in married couple families was a result of slight decreases in total weeks of employment during the year and the number of hours worked each week. (Data are not available to distinguish among these contributing factors for earnings losses prior to 1979.)
- The proportion of very young hourly workers (ages 20 to 24) paid less than the amount necessary to support a family of three even if employed full-time throughout the year has nearly tripled, jumping from 14 percent in 1979 to 37 percent in 1986.
- Full-time workers ages 16 to 24 also are losing ground compared with their older counterparts, another reflection of their falling average wages. The median weekly earnings of such young men working full time dropped from 67 percent of older full-time workers' earnings in 1973 to 53 percent in 1986, while young women in this age group experienced a similar decline from 85 percent to 71 percent of older women's earnings.

Increases in the proportion of young adults who are jobless or working part time because full-time work is not available have added to the earnings losses of young family heads.

- Of all young men ages 20 to 29 (excluding full-time students) 8 percent had no earnings during the entire year in 1986, an increase of one-third since 1973. Among male high school dropouts in this age group, the proportion reporting no earnings more than doubled, jumping from 6 percent in 1973 to 14 percent in 1986.
- Workers under age 25 are twice as likely as older workers to be employed part time involuntarily because they cannot find full-time jobs. The proportion of such very young workers forced to work part time—9 percent in 1987—has doubled since 1979.

The Growing Percentage of Young Families Headed by Women Also Has Been a Primary Cause of the Reduced Median Earnings of Young Family Heads

Shifts in the composition of young families, including the rising proportion of young families headed by single women, have added to the declines in the median earnings of young family heads. The declining earnings of young men alone would have pushed the median earnings of family heads far below their 1973 levels. At the same time, however, more of the nation's young families—23 percent in March 1987, compared with only 13 percent in March 1974—now are headed by women, many of whom have severely limited earnings po-

tential. This demographic shift—with fewer family heads from married couple families and more from female-headed families—has caused the median earnings of all young family heads to fall much more dramatically than they otherwise would have.

Because median earnings of female heads of young families are extremely low ($1,560 in 1986), the increase in female-headed families has added to the size of the median earnings losses experienced by young family heads between 1973 and 1986.

- The median earnings for heads of young married couple families ($17,550 in 1986) are 11 times greater than those of heads of young female-headed families.
- While extraordinarily low at all points in time, the median earnings of young female family heads did rise dramatically—in percentage if not in dollar terms—during the 1970s (by 62 percent from $2,171 in 1973 to $3,522 in 1979), but have deteriorated sharply since.

Young Men With the Lowest Earnings Are Typically Not Part of Young Families

The growth in young female-headed families also means that a larger percentage of young men live alone and are not part of a young family. Some of these young men have delayed marriage to finish their education or explore promising careers. More typically, however, this growing pool of never-married men includes those with the least education and the lowest earnings, who have neither the capacity nor the opportunity to form stable, two-parent families.

Regardless of race or educational attainment, the median earnings of never-married men between the ages of 20 and 29 are far lower than those of their married counterparts.

- The median earnings of young never-married men in 1986 were less than half those of young married men who were living with their spouses.
- The earnings gap between never-married and married men was particularly large for young Black men and high school dropouts of all races.

THE INCOMES OF YOUNG FAMILIES

Finding

The median income of young families has dropped sharply since 1973 (with almost all of the loss coming since 1979), leaving them far more vulnerable than previous generations of young families. This decline has occurred despite the efforts of many two-parent families to compensate for the falling earnings of the family head by sending a second adult into the work force. The largest losses were suffered by young families with children.

Key Facts

- The median income for all young families fell by 14 percent between 1973 and 1986, compared with a 1 percent decline for families headed by persons ages 30 to 64.
- Young families with children suffered a 26 percent loss in median income during the period, from $23,486 to $17,500.
- Young families headed by high school dropouts and graduates not going on to college experienced the largest income losses.
- The gap between the median income of young families and that of older families grew from 38 percent in 1973 to 58 percent in 1986.

Key Term

"Median family income" refers to the total earnings of all family members as well as property income, child support, or any cash transfer payments (such as disability benefits, unemployment insurance, welfare, or Social Security survivor benefits) obtained by the family over the course of the year. All income figures are adjusted for inflation and expressed in 1986 dollars. By definition, half of all young families have incomes greater than the median, while half have lower incomes.

In General, the Incomes of America's Families Have Stagnated

The median income for American families in all age groups was virtually identical in 1973 and 1986. Family income did fall substantially during the 1981-1982 recession. By 1986, however, four years of modest economic growth had brought the median income for all families back to a level just 0.7 percent below its 1973 peak. This stagnation of family incomes is in itself a sharp departure from the prosperity of the postwar era. Median family income doubled between 1947 and 1973 as a result of fairly continuous economic growth following World War II, reaching its peak in 1973 at $29,604 (in 1986 dollars). The lack of comparable real growth in median family incomes since 1973 has increased the sense of economic strain among American families, including even those who managed to avoid significant income losses but have not seen the gains that preceding generations did.

Yet more has changed than just this loss of growth in family incomes. Families have undergone a transformation of work patterns, family life, and child-rearing strategies in order to keep their economic heads above water. These changes are a direct result of the sharp drop in median earnings for family heads of all ages—24 percent from 1973 to 1986. Faced with this loss, families have had to send a second adult into the work force in order to keep family income from falling commensurately.

While Older Families Generally Succeeded in Preserving Their Incomes, Young Families Have Suffered Substantial Income Losses

Even this strategy, however, did not work for many young families. In some cases, young

men's earnings fell so sharply that married couple families were unable to compensate for these losses despite additional work effort by young women. In others, the precipitous decline of young men's earnings prevented two-parent families from forming in the first place, so that growing numbers of young families now depend on the very low earnings of young female family heads.

As a result, the median income of young families has declined sharply in both absolute and relative terms. Today's young families are substantially worse off than their counterparts of just over a decade ago. They have been the primary victims of changes in the American economy, falling further behind older and more established families despite increased work effort in many cases.

The median income of families headed by persons under age 30 fell from $24,798 (in 1986 dollars) in 1973 to $21,455 in 1986. Virtually all of this 14 percent decline has occurred since 1979.

- Only one-sixth of this drop in young families' incomes occurred during the 1970s: their median income slipped by 2 percent between 1973 and 1979. Most of the income losses for young families have occurred during the 1980s, as their median income fell by more than 11 percent from 1979 to 1986.

Median Family Incomes, 1973-1986
(in 1986 Dollars)

	1973	1979	1986	Change 1973-1986	Change 1979-1986
All Families	$29,604	$29,678	$29,401	−0.7%	−0.9%
Families with Head Under Age 30	24,798	24,236	21,455	−13.5%	−11.5%
Families with Head Under Age 25	20,229	20,137	14,900	−26.3%	−26.0%
Families with Head Ages 25-29	28,074	27,277	25,000	−10.9%	−8.3%
Families with Head Ages 30-64	34,291	34,422	33,907	−1.1%	−1.5%
Families with Head Ages 65 and Over	15,826	16,999	19,922	+25.9%	+17.2%

Income Losses for Young Families With Children Have Been Particularly Large

Among all American families with children, median income dropped by 6 percent between 1973 and 1986, while median income for families without children rose by 9 percent. This pattern of deteriorating economic status for families with children has been most pronounced among young families, exacerbating the plight of children in young families.

Young families without children enjoyed a slight increase in median family income (2 percent) between 1973 and 1986, while the income of young families with children plunged by more than one-fourth (26 percent), from $23,486 to $17,500. Two-thirds of this drop has occurred since 1979.

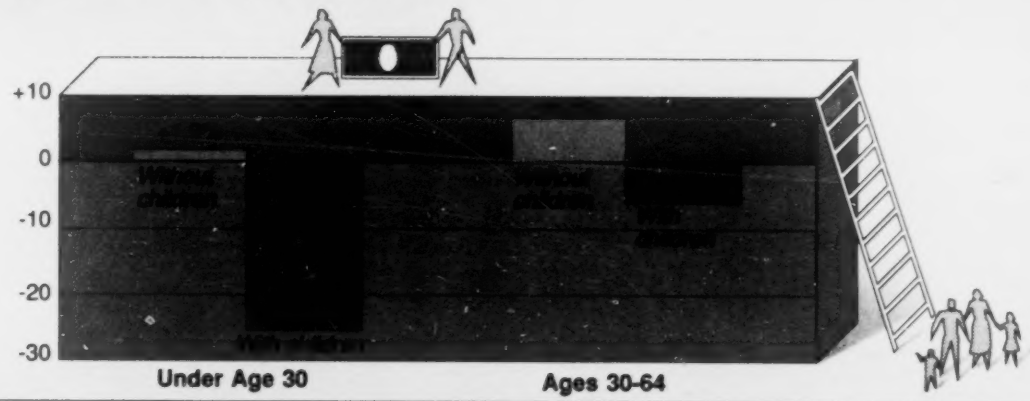
- The median income for young families with children was equal to only 60 percent of that for young childless families in 1986. This gap has tripled since 1973.
- Older families with children also experienced a significant drop in median income (6 percent), although the disparity when compared with older childless families was not as great as among young families.

Only Young Families Headed by Persons With a College Education Avoided These Income Losses

For all races, losses in median incomes for young families since 1973 have been greatest among those with the least education.

- Families headed by high school dropouts under age 30 have suffered a 35 percent decline in median income between 1973 and 1986, and families headed by high school graduates not going on to college lost 16 percent.

Change in Median Family Income Between 1973 and 1986 by Age of Family Head and Presence of Children



- Only those young families headed by college graduates had a higher median income in 1986 than in 1973 (an increase of 12 percent).
- Young families headed by college graduates now have a median income ($38,000 in 1986) far greater than that of young families headed by high school dropouts ($11,000) or graduates not going on to college ($20,860).

The Earnings of Heads of Young Families Provide a Dwindling Share of Total Family Income

The earnings of family heads always have provided the foundation for young families' incomes. Yet this foundation is now crumbling, and young families have been forced to turn elsewhere for a growing share of their incomes. As recently as 1973, the earnings of family heads provided nearly four-fifths of young families' incomes, with only 22 percent coming from other sources. By 1986, more than one-third (37 percent) of young families' total income came from sources other than the earnings of the family head.

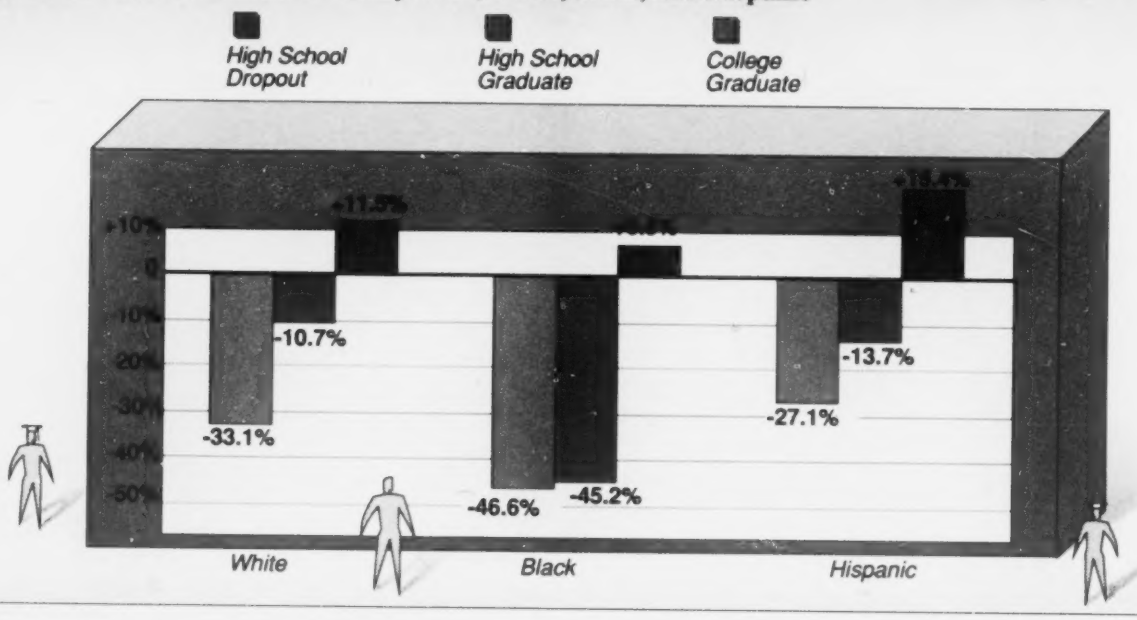
Young married couple families have tried to compensate for the declining earnings of young men by relying increasingly upon the earnings of young women.

- The great majority of young married couple families now send both adults into the work force: the average number of earners in such families rose from 1.67 in 1973 to 1.79 in 1986. As a result, the share of total family income generated through the earnings of the family head alone fell from 77 percent to 67 percent during this period.
- Despite a greater relative contribution from the earnings of young women, the incomes of young married couple families dropped by 4 percent. It is even more difficult for young married couple families with children to keep two wage earners in the labor force, and for this reason they have suffered greater losses: their incomes fell by 8 percent between 1973 and 1986.
- Among married couple families headed by young men with the least education, young women also were unable to offset the earnings losses of their spouses. The median income of young families headed by male high school dropouts fell by 25 percent, while that of young families headed by high school graduates not going on to college declined by 8 percent.

Because young female-headed families rarely have second wage earners to help compensate for the falling earnings of family heads, their incomes fell far more sharply—by 26 percent between 1973 and 1986. These losses have been exacerbated by the erosion of welfare benefits and other "safety net" programs for poor families since the early 1970s.

- The falling earnings of young female family heads, which were extremely low even in 1973, contributed to the income losses their families suffered during this period. The earnings of family heads provided only one-fourth of the total incomes of young female-headed families in 1986.
- Rather than cushioning these income losses, public assistance for poor families has been reduced, pushing the incomes of young female-headed families even lower. The failure

Change in Median Income of Young Families Between 1973 and 1986 by Educational Attainment of Family Head, White, Black, and Hispanic



of states to raise welfare benefit levels to keep pace with inflation has played a major role in this decline: the median state AFDC benefit for a family of four, adjusted for inflation, fell by more than one-third between July 1970 and July 1987.

- Ironically, federal budget cuts in welfare programs during the 1980s also have been focused disproportionately on young adults (for example, the elimination of Social Security survivor benefits for college students and cuts in AFDC and Medicaid for pregnant women and for 18- to 20-year-olds).

INCOME DISTRIBUTION AMONG YOUNG FAMILIES

Finding

Growing inequality in the distribution of income among young families since 1973 has compounded the problems caused by their falling incomes and increased poverty among children in young families.

Key Facts

- Thirty percent of all children in young families live in the poorest fifth of all young families. These families had only 3.9 percent of the total income available to young families in 1986, compared with 6.1 percent received by the poorest fifth of young families in 1973.
- The increase in income received by the wealthiest fifth of all young families between 1973 and 1986 was greater than the total income the poorest fifth received in 1986.
- A child living in a young family in the poorest fifth of the income distribution in 1986 had to survive on a per capita income of only $1,122.

Key Term

"Income distribution" refers to the evenness or unevenness with which the total income available to young families is spread among them. Income distribution is measured in this report by grouping young families in fifths according to their income (the 20 percent with the lowest incomes make up the bottom fifth, while the 20 percent with the highest incomes make up the top fifth), and then determining the share of total income that each group of young families receives.

The Poorest Young Families Have Received a Declining Share of Total Income Since 1973, While the Wealthiest Young Families Have Gained an Even Greater Slice of the Income Pie

As discussed in the previous section, the median income of young families fell substantially (by 14 percent) between 1973 and 1986. However, these income losses have not been shared equally by all young families. Some young families—including many of those without children and those headed by married couples or persons with a college education—have managed to keep their income losses small or even to increase their median income during this period. At the same time, income losses among young families with children and those headed by persons without a college education have been far greater than the drop in median income for young families as a whole.

These divergent trends have made the poorest groups of young families even poorer, while adding to the total incomes of the wealthiest groups of young families. Even our society's stereotypes of young workers now reflect the widening disparities between the poor and the affluent. For example, our image of the typical young industrial worker struggling to achieve a middle class income during the 1950s and 1960s seems to have given way to two dramatically different stereotypes in the 1980s: a highly paid young professional with an M.B.A. on Wall Street on the one hand, and a low-wage retail clerk at McDonald's on the other. While such stereotypes hardly capture the full complexity of the story for young workers and their families, they do capture the essence of today's diverging economic fortunes and prospects for young Americans.

This growing inequality of incomes compounds the problems of the poorest and most vulnerable families, including many young families with children. Not only are they losing ground compared with older families, but they also are receiving a smaller portion of the diminishing economic pie available to young families.

The share of the income of all young families received by the poorest young families fell by more than one-third between 1973 and 1986. Just the increase in income enjoyed by the wealthiest fifth of all young families during this period was greater than the total income available to the poorest fifth in 1986.

- The bottom fifth of young families received only 3.9 percent of the total income available to all young families in 1986, compared with 6.1 percent in 1973.
- The lowest two fifths (40 percent) of young families received 14.8 percent of total income in 1986, down from 19.6 percent in 1973.
- In contrast, the share of total income received by the top fifth of young families rose from 36.7 percent to 41.8 percent during the same period.

These changes in income distribution—involving a shift of only a few percentage points—may appear small. In fact, they are huge. The aggregate loss incurred by the bottom fifth of young families from this change in income distribution alone was $5 billion, while the total income gain for the top fifth was more than $11 billion. These large shifts in the distribution of income occurred among white, Black, and Hispanic young families, and for married couples as well as female-headed families.

The Growing Inequality of Incomes Among Young Families Has Further Undermined Their Ability To Support Children

Children are concentrated disproportionately in young families with the least income, jeopardizing their health, well-being, and long-term development.

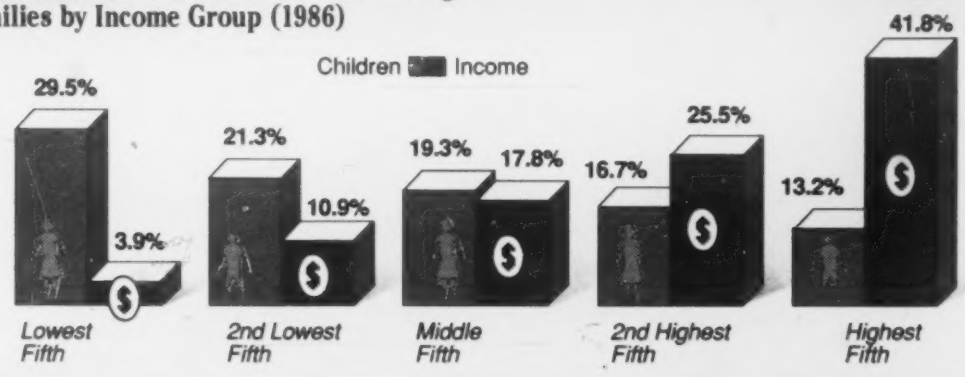
- The median income of young families with children was equal to only 60 percent of that for young childless families in 1986.
- Thirty percent of all children living in young families, and more than half (54 percent) of all Black children in young families, are concentrated in the poorest fifth of all young families. This bottom fifth had only 3.9 percent of the total income available to young families.
- Half of all children in young families live in families that receive only one-seventh of the total income available to young families. This income distribution for children in young families is almost identical to that in developing nations like Malaysia and Thailand, where one-half of all children are in families receiving only 15 percent of total income.

Even among those young families with children, the differences in the amount of income such families have to support their children are extremely large.

- Young families with children who were in the top fifth of the income distribution in 1986 had a per capita income to support their children that was more than 10 times that of young families with children in the bottom fifth.
- A child living in a young family in the poorest fifth had to survive on an average per capita income of only $1,122 in 1986. For a Black child in the bottom fifth, this per capita income equaled only $656, and for a Hispanic child only $822.
- In contrast, a child in the wealthiest fifth of the income distribution for young families enjoyed a per capita income of $11,628 in 1986.

Because children are increasingly likely to live in the poorest families, and because young families as a group have suffered large income losses, children who live in young families are at far greater risk of being poor.

Distribution of Children and Total Income Among Young Families by Income Group (1986)



- Children living in young families were more than twice as likely to be poor as children in older families in 1986.
- While fewer than one in every five children live in young families, one in three poor children reside in such families.

Distribution of All Children and Poor Children by Age of Family Head
(March 1987)

	All	Poor
Families Headed by Persons Under Age 30	18.2%	32.7%
Families Headed by Persons Ages 30 and Over	81.8%	67.3%

- Poor children in their early developmental years are disproportionately concentrated in the youngest and most vulnerable families. In 1986, nearly one-third of all poor children under age six lived in very young families headed by persons under age 25.

POVERTY AMONG YOUNG FAMILIES

Finding

Poverty rates among young families have increased sharply since 1973, threatening the safety and hindering the development of America's children.

Key Facts

- Young families contained one-third of all poor children in America in 1986.
- Nearly one-third of all poor children under age six live in very young families headed by persons under age 25.
- Poverty rates for young families nearly doubled between 1973 and 1986, jumping from 12 percent to 22 percent. For young families with children, the poverty rate was 30 percent in 1986.
- More than one-third (35 percent) of all children living in young families—and more than half of all children in very young families headed by persons under age 25—were poor in 1986.
- Half (51 percent) of the increase in the number of poor children in America since 1973 is the result of falling incomes and rising poverty rates among young families.

Key Term

"Poor families" refers to those with annual incomes less than the federal government determines is necessary to meet a family's basic subsistence needs. The federally established poverty threshold varies according to family size and is adjusted each year to keep pace with increases in the cost of living. In 1986, the poverty threshold was $8,737 for a family of three and $11,203 for a family of four.

Poverty Among Young Families Has Increased Sharply

As a result of the sharp declines in the income of young families, more and more young parents and their children are living in poverty.

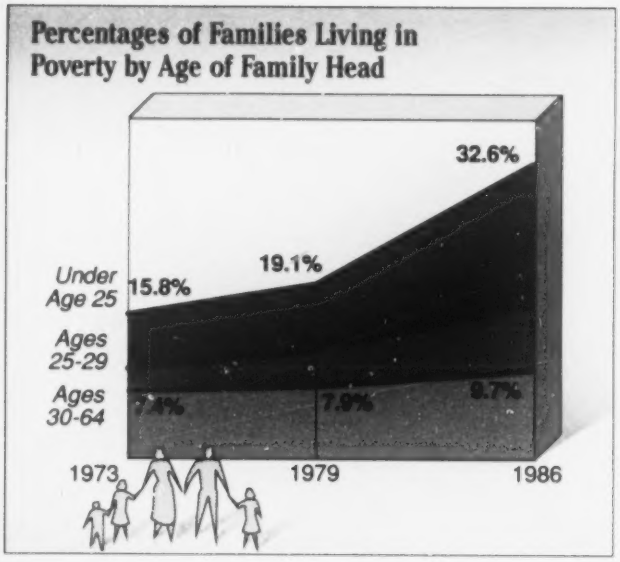
During the 1980s, poverty rates for all age groups (except the elderly) have been substantially higher than those that prevailed in the 1970s. For most age groups, however, the chances of being poor have risen and fallen with fluctuations in the economy. The poverty rate for all families jumped by one-third between 1979 and 1982—rising from 9.2 percent to 12.2 percent—and has fallen slowly again in recent years (although it remains well above its 1979 level). But the usual rules of economic cycles have broken down for young adults, with devastating consequences for young families and their children.

Poverty among young families has increased dramatically during the 1980s, often rising even when overall economic conditions were improving.

- The poverty rate for young families jumped from 12 percent in 1973 to 22 percent in 1986.
- By 1986, nearly one out of three families headed by persons under age 25 was poor. The poverty rate for these very young families has more than doubled since 1973 and had not begun to decline even after four years of recovery from the 1982 recession.
- At the same time, the depth of poverty among young families also has increased. Nearly half (45 percent) of all poor young families in 1986 had incomes equal to less than half of the official poverty threshold, a marked increase from 32 percent in 1973.

Young families are now twice as likely as the average American family to be poor.

- The poverty rate for all families, regardless of the age of the family head, was 11 percent in 1986.



• Very young families (headed by persons under age 25) were nearly three times as likely to be poor as the average family in 1986. They were less than twice as likely to be poor in 1973.

Rising poverty rates have affected all groups of young families, whether white, Black, or Hispanic, married couple or single-parent. In fact, the fastest relative increases in poverty from 1973 to 1986 occurred among young white families, young married couple families, and young families headed by high school graduates.

• Poverty rates among young minority and single-parent families were extremely high even in 1973 and have climbed further since then.

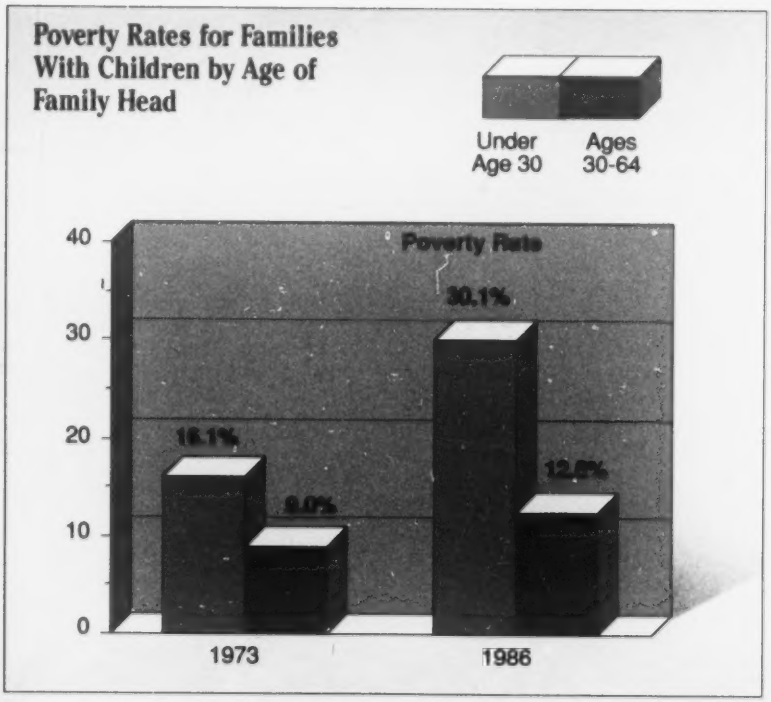
• Nearly half of all young Black families and two-thirds of all young female-headed families were poor in 1986.

For most groups of young families, poverty rates rose only slightly during the 1970s but soared during the 1980s.

• Three-fourths of the increase in poverty among young families during the 1973-1986 period occurred after 1979.

Poverty Rates Among Young Families

	1973	1986	% Change
All Families Headed by Persons Under 30	**12.3%**	**21.6%**	**+ 76%**
White	7.8%	15.2%	+ 95%
Black	35.2%	45.6%	+ 30%
Hispanic	24.3%	33.6%	+ 38%
Married Couple	5.4%	9.2%	+ 70%
Female-Headed	56.5%	62.6%	+ 11%



• Among young female-headed families, poverty rates actually fell between 1973 and 1979 (for all races and levels of educational attainment), then increased rapidly in subsequent years.

Young Families with Children Face the Bleakest Prospects

Because young families with children have suffered greater income losses, they are now far more likely to be poor than young childless families.

• The poverty rate for young families with children nearly doubled between 1973 and 1986, jumping from 16 percent to 30 percent. In contrast, among young childless families the poverty rate actually declined slightly, from 4.9 percent in 1973 to 4.4 percent in 1986.

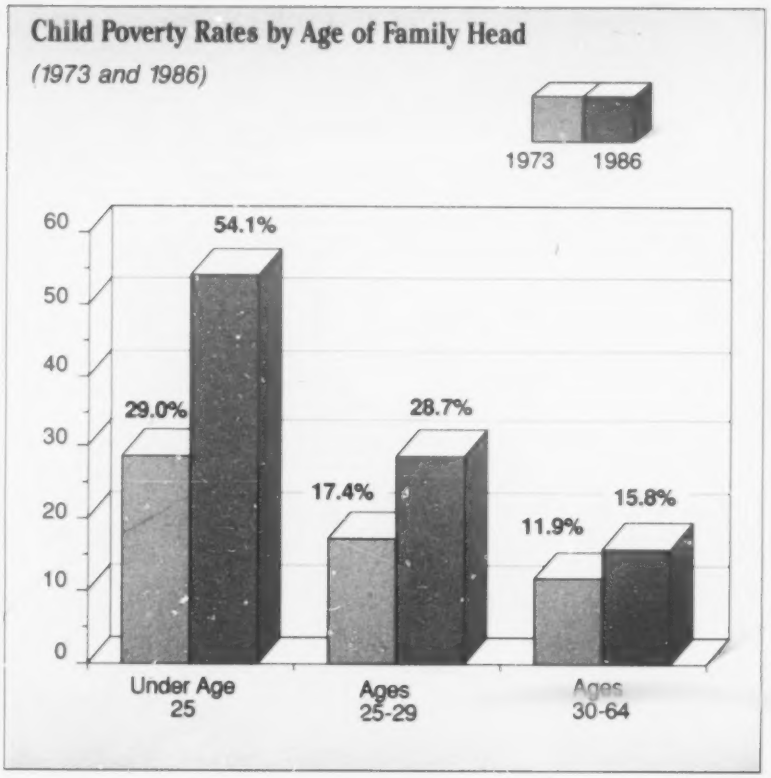
• Young families with children are seven times more likely to be poor than those without children. As recently as 1973, young families with children were only three times more likely to live in poverty.

• Poverty among older families with children also increased during this period,

although not to the same extent as among young families.

Child poverty rates have increased dramatically, leaving more than one-third of all children in young families poor.

- Thirty-five percent of all children in young families were poor in 1986, compared with 21 percent in 1973.
- The greatest relative increases in poverty occurred for children in young married couple families and those headed by persons with a high school diploma or less.
- Half (51 percent) of the increase in the number of poor children in America since 1973 is the result of higher poverty rates among children living in young families.



These Increases in Poverty Among Young Families Have Been Widespread, Placing the Most Vulnerable Young Families and Their Children at Great Risk

Rising poverty among young families is not confined simply to minority families, inner city neighborhoods, or large families.

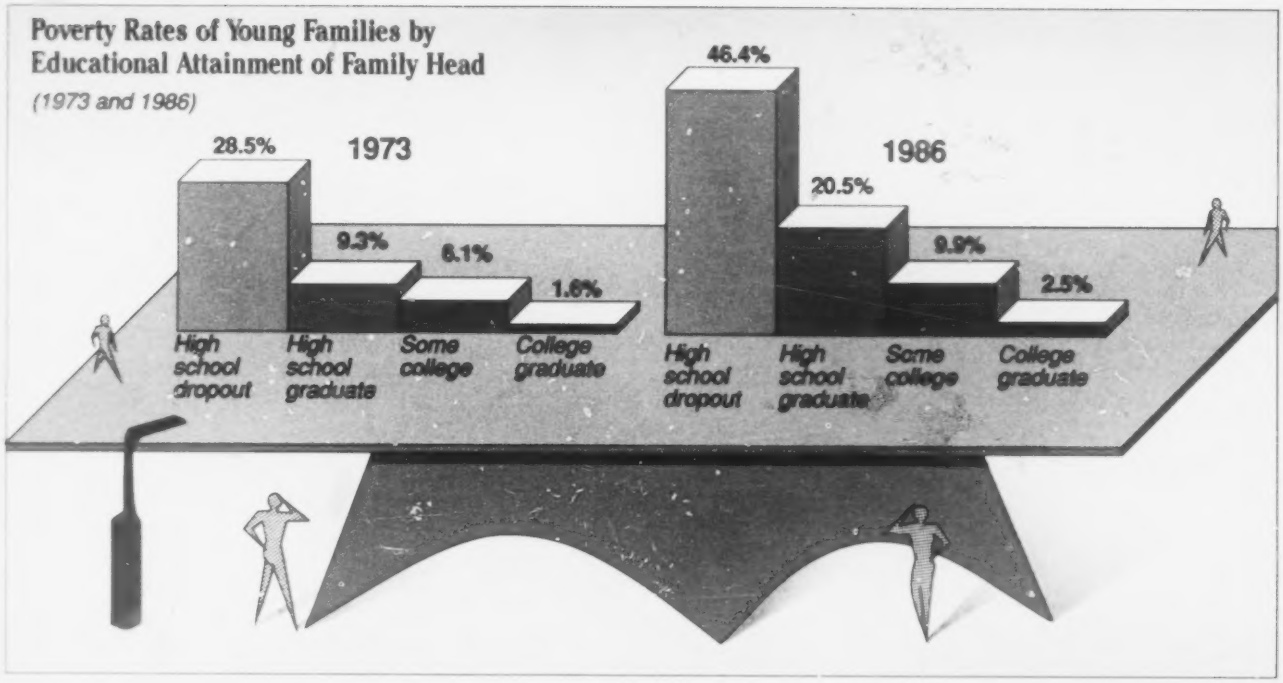
- Half (47 percent) of the increase in the number of poor young families since 1973 has come from rising poverty rates among young white families.
- More than four-fifths (81 percent) of the increase in the number of poor young families has occurred outside the nation's central cities.
- Young families with only one child suffered the greatest relative increase in poverty, jumping from a 10 percent rate in 1973 to 23 percent in 1986.

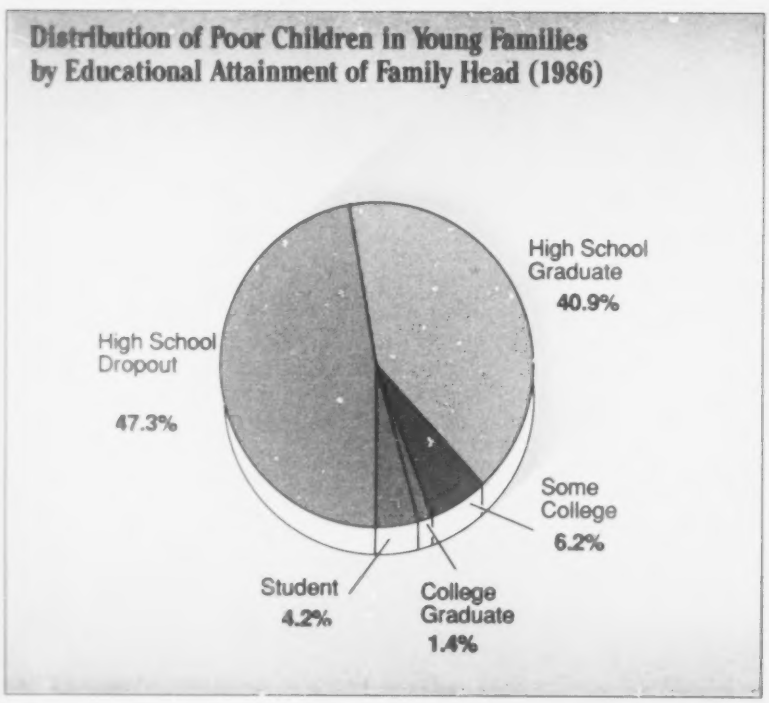
Percentage of Young Families Living in Poverty by Family Structure, Educational Attainment of the Family Head, and Presence of Children, 1986

	Poverty Rate
Married Couple Family Headed by a College Graduate, No Children	0.3%
Married Couple Family Headed by a High School Graduate, No Children	2.6%
Married Couple Family Headed by a High School Graduate, One or More Children	10.2%
Married Couple Family Headed by a High School Dropout, One or More Children	27.9%
Female-Headed Family Headed by a High School Graduate, One or More Children	64.1%
Female-Headed Family Headed by a High School Dropout, One or More Children	84.6%

Young families headed by persons with the least education are at far greater risk of being poor than those headed by persons with a college degree. Even a high school diploma is no longer a good defense against poverty.

- The poverty rate for young families headed by a high school graduate more than doubled between 1973 and 1986. Greater poverty among young families headed by high school graduates accounted for 58 percent of the increase in the number of poor young families since 1973.





• Nearly one-half of all young families headed by high school dropouts and more than one-fifth of those headed by high school graduates were poor in 1986.

Young female-headed families are now more likely than not to be poor.

• More than half (55 percent) of all white female-headed families under age 30 were poor in 1986, and more than two-thirds (70 percent) of all such Black families lived in poverty.

• Nearly all families headed by a young female high school dropout (85 percent), and almost two-thirds of those headed by a young female high school graduate (60 percent), were poor in 1986.

Poor children are disproportionately concentrated within those young families headed by women and by persons with the least education.

• Two-thirds of all poor children living in young families are in female-headed households. A child living in a young female-headed family is four times more likely to be poor than a child in a young married couple family.

• Nearly nine out of 10 (88 percent) poor children living in young families reside within those headed by persons with a high school diploma or less. A child in a young family headed by a high school dropout is eight times more likely to be poor than a child in a young family headed by a college graduate.

• A child living in a young family headed by a female high school dropout is 14 times more likely to be poor than a child in a young married couple family headed by a college graduate.

4

SPECIAL ANALYSES FOR SELECTED GROUPS OF YOUNG FAMILIES

YOUNG FAMILIES BY RACE/ETHNIC GROUP

Finding

Falling incomes and rising poverty rates have affected all groups of young families, whether white, Black, or Hispanic, although Blacks and Hispanics have suffered the largest losses since 1973.

Key Facts

- The median earnings of young white family heads declined by 21 percent between 1973 and 1986, and family income fell 8 percent. Young white families with children were particularly hard hit: their poverty rate more than doubled, reaching 22 percent in 1986.
- Young Black families, which had far lower incomes and higher poverty rates even in 1973, still experienced relatively greater losses from 1973 to 1986. The median income of young Black families fell by 29 percent, leaving more than half (53 percent) of all young Black families with children in poverty in 1986.
- Young Hispanic families suffered a 16 percent decline in their median income during this period. By 1986, 40 percent of all young Hispanic families with children were poor.
- Among children living in young families, 24 percent of the white children, 58 percent of the Black children, and 48 percent of the Hispanic children were poor in 1986.

Key Terms

"White" and "Black" families are classified according to the race of the family head, and exclude those of Hispanic origin.

Heads of "Hispanic" families may be of any race but include all those of Hispanic origin.

Young White Families Have Lost Considerable Economic Ground Compared with Their Predecessors of 15 Years Ago

The deteriorating economic status of America's young families is not just a "minority problem." Young white families, in particular those headed by persons without a college education, have suffered major income losses in recent years.

- The median annual earnings of young white family heads fell by 21 percent between 1973 and 1986 (from $20,229 to $16,000 after adjustment for inflation).
- Young white families compensated for some of this loss in earnings of the family head by relying more heavily upon earnings of other family members. Nonetheless, their median family income still dropped by 8 percent during this period.

The economic fortunes of young white families are shaped in large part by the educational attainment of their family heads. Those headed by adults with the least education have borne the brunt of changes in the American economy.

- The median earnings of young white family heads without a high school diploma plunged by nearly half (48 percent) between 1973 and 1986. Even those who completed high school but did not go on to college suffered earnings losses of more than one-fourth (27 percent).
- These young white families were unable to compensate for such large earnings losses. Those headed by a high school dropout experienced a 33 percent drop in their median income, while those headed by a high school graduate suffered an 11 percent decline.
- Among young white families, only those headed by persons with a college degree were able to avoid income losses (their median income rose by 12 percent).

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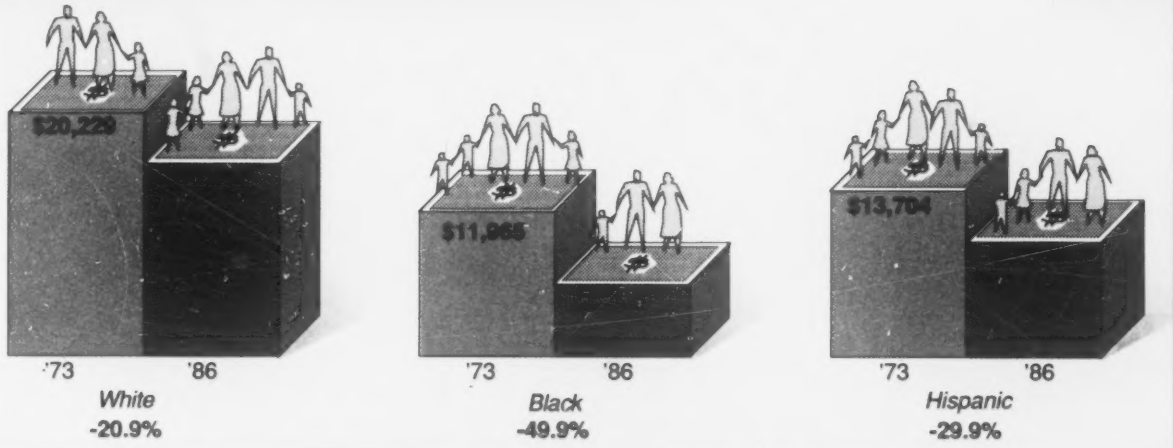
Median Annual Earnings of Heads of Young Families by Race
(1973 and 1986)



As their total incomes have fallen, poverty among young white families has increased sharply.

- More than 1 million young white families were poor in 1986, compared with 648,000 in 1973.
- Nearly half (48 percent) of the increase in the total number of young families living in poverty since 1973 is the result of rising poverty rates among young white families.

Those young white families with children are particularly at risk of being poor. Their poverty rate more than doubled between 1973 and 1986.

- Twenty-two percent of all young white families with children lived in poverty in 1986, compared with only 3 percent of all young white childless families.
- Nearly one-fourth (24 percent) of all children living in young white families were poor in 1986.

Young Black Families Have Suffered the Greatest Economic Losses

While the economic losses experienced by young white families have been large, young Black families as a group have fared far worse. They started the period in 1973 with considerably lower earnings and family incomes than whites, and they suffered larger percentage reductions than whites from 1973 to 1986. They have been battered by the same economic changes that reduced the earnings of other young workers. At the same time, they have been even less able to make up this lost ground by sending additional family members into the work force because more young Black families are headed by single parents.

The median annual earnings of young Blacks who head families fell by one-half between 1973 and 1986. More than half of all young Black family heads without a high school diploma had no earnings whatsoever in 1986.

- The median earnings of young Black high school dropouts who head families fell from $3,849 in 1973 to $0 in 1986.
- Young Black high school graduates who head families lost 62 percent of their median earnings (from $14,802 in 1973 to $5,640 in 1986). Even young Black college graduates who head families had their median earnings decline by 31 percent during this period.
- For the youngest Black families (headed by persons under age 25), median earnings dropped precipitously from $7,579 in 1973 to $1,092 in 1986, a reduction of 86 percent.

As a result of these dramatic earnings losses suffered by the heads of young Black families, their median income dropped sharply and their already high poverty rates increased further between 1973 and 1986.

- The median income of young Black families fell by 29 percent, from $15,912 to $11,250, during this period. Those headed by high school dropouts lost 47 percent, while those headed by high school graduates not going on to college lost 45 percent. Only young Black families headed by college graduates avoided these losses: their median income rose by 7 percent between 1973 and 1986.
- More than 600,000 young Black families—nearly one-half (46 percent) of all young

Black families in America—were poor in 1986. In contrast, slightly more than one-third of all young Black families lived in poverty in 1973.

Young Black families with children are particularly at risk of being poor. More than half (53 percent) were poor in 1986, up sharply from 39 percent in 1973.

- In contrast, only 10 percent of young Black families without children lived in poverty in 1986. The poverty rate for young Black childless families has fallen by more than one-third since 1973.
- Four of seven children living in young Black families (58 percent) were poor in 1986.

Young Hispanic Families Also Have Incurred Huge Losses, Falling Further Behind Their White Counterparts

The median earnings of heads of young Hispanic families fell by 30 percent between 1973 and 1986. Those with the least education experienced the greatest earnings declines.

- Young Hispanic family heads had median earnings of $9,600 in 1986, compared with $13,704 in 1973.
- The median earnings of young Hispanic family heads without a high school diploma dropped by 41 percent, while earnings for young Hispanic high school graduates who head families declined by 27 percent during the same period.

While compensating partially for these earnings losses through work by other family members, young Hispanic families still had substantially lower median incomes and higher poverty rates in 1986 than in 1973.

- The median income of young Hispanic families fell by 16 percent, from $17,960 in 1973 to $15,025 in 1986. Only young Hispanic families headed by a college graduate avoided income losses: their median income increased by 19 percent.
- As a result of these falling income levels, increasing numbers of young Hispanic families are now poor. The poverty rate for these families jumped from 24 percent in 1973 to 34 percent in 1986.

Similar to their white and Black counterparts, young Hispanic families with children experienced the greatest increases in poverty.

- Forty percent of all young Hispanic families with children were poor in 1986, compared with 29 percent in 1973. In contrast, young Hispanic families without children had a poverty rate of 14 percent in 1986.
- Among children living in young Hispanic families, 48 percent were poor in 1986.

These Recent Economic Trends Have Widened the Gap Between Young White Families and Young Black and Hispanic Families

The median earnings of young white family heads, even though very depressed since 1973, continue to be far higher than those of young Black or Hispanic family heads, even when they have completed the same levels of education.

- Young white high school graduates who headed families had median earnings nearly $10,000 above those of young Black graduates and almost $4,000 higher than young Hispanic graduates who headed families in 1986.
- Even young white high school dropouts who were family heads earned 50 percent more than Black high school graduates heading young families.

Even though young families of all races have suffered income losses since 1973, the disparities in income between racial and ethnic groups have grown larger.

- Young Black families had a median income equal to 60 percent of that for young white families in 1973, but by 1986 their median income was only 46 percent of that of their white counterparts.
- Similarly, the median income of young Hispanic families dropped from 68 percent of that for young white families in 1973 to 62 percent in 1986.

Summary of Selected Data for Young Families By Race/Ethnic Group

	Change in Family Head's Earnings 1973-86	Change in Earnings for H.S. Dropouts 1973-86	Change in Earnings for H.S. Graduates 1973-86	Change in Median Family Income 1973-86	Poverty Rate for Young Families With Children 1986
White	−20.9%	−47.6%	−26.9%	−7.8%	22.3%
Black	−49.9%	−100.0%	−61.9%	−29.3%	53.0%
Hispanic	−29.9%	−40.8%	−27.0%	−16.3%	40.1%

FAMILY STRUCTURE: MARRIED COUPLES AND SINGLE PARENTS

Finding

While young married couple families are far more likely than young female-headed families to have adequate incomes, both groups lost economic ground and faced greater risks of poverty between 1973 and 1986.

Key Facts

- One in every eight young married couple families with children lived in poverty in 1986. These families were twice as likely to be poor in 1986 as they were in 1973.
- More than two-thirds of all young female-headed families with children were poor in 1986.
- The median income for young married couple families dropped by 4 percent between 1973 and 1986, despite increased earnings of second wage earners in such families.
- Among young female-headed families, median income fell by 26 percent during this period, dropping to $6,392 in 1986.

Key Terms

A "married couple family" may or may not include children. The husband in a married couple family is usually (but not always) considered to be the family head.

A "female-headed family" is one headed by an unmarried, separated, widowed, or divorced woman, typically with one or more children.

The Economic Opportunities Available to Young Americans Both Influence and Are Shaped by the Structure of Young Families

The relationship between family structure and economic opportunity is complex. We all know that it is far more difficult for a single mother to support children than for a married couple to do so. For the typical single mother, the combination of less education, more limited employment opportunities, lower wage levels, and child care responsibilities and costs makes it very difficult to achieve and maintain an adequate income to support a family. Married couple families, often with two paychecks, have a much better chance of reaching this goal. Family structure affects family income.

Less obvious, but no less important, is the effect that income (or the lack thereof) has on family structure. When young Americans have adequate earnings and confidence in their futures, they are much more likely to marry and form stable families in their twenties. However, if young workers see no realistic hope of supporting children, or if young mothers do not believe that marriage to a child's father will enhance their economic prospects, the incidence of out-of-wedlock childbearing and the number of female-headed families increase.

This is precisely what has happened since 1973: a spiral of falling wages, falling marriage rates, and rising out-of-wedlock birth rates. The reason there are more out-of-wedlock births is not because premarital sexual behaviors have changed radically, or because birth rates among teens and women in their early twenties are up. In fact, they are down. Rather, there are more out-of-wedlock births because young men and women are not marrying after the conception or birth of a child. One major cause of this drop in marriage rates has been the declining earnings of young men during this period.

The data show why stable, two-parent families are important to the well-being of young families and their children. They also provide a compelling rationale for steps to bolster the earnings of young workers when they reach childbearing age so they will have the ability and the motivation to marry and form such families.

Young Married Couple Families Have Almost Held Their Ground Since 1973, But Only Through Additional Work Effort by a Second Wage Earner

The median earnings for men in young married couple families dropped by 16 percent between 1973 and 1986. Those with the least education experienced far greater earnings losses.

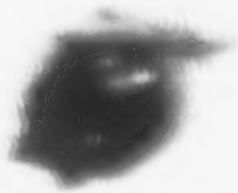
- For men in young married couple families who lack a high school diploma, median earnings fell by 32 percent—from $17,239 in 1973 to $11,770 in 1986.
- Male high school graduates heading such families experienced a 22 percent drop in median earnings, from $21,710 to $17,000, during the same period.

Young married couple families compensated for these declines in male earnings by sending more women into the job market to work longer hours, thereby working harder to stay nearly in the same place.

- The share of young married couple families' income generated by male earnings dropped from 77 percent to 67 percent, reflecting the declining earnings of young men and the increased effort of their spouses.
- The median income for all young married couple families still declined by 4 percent between 1973 and 1986 (from $27,137 to $26,200), despite their additional work effort, but this decline was only one-fourth of the drop in the men's earnings alone.
- Young married couple families headed by persons without at least some college education were even less able to compensate for their earnings losses: median income fell by 25 percent for families headed by high school dropouts and by 8 percent for those headed by high school graduates not going on to college.

Young married couple families traditionally have had very low poverty rates. More recently, however, poverty has increased rapidly among these families. Young married couple families with children are particularly at risk of being poor.

- The poverty rate for young married couple families rose from 5 percent in 1973 to 9 percent in 1986. Most of this increase occurred during the 1980s.
- All of this increase occurred among families with children. The poverty rate for young married couple families without children declined slightly during this period. But the poverty rate for those with children doubled from 1973 to 1986.
- One in eight young married couple families with children lived in poverty in 1986.



Young Female Heads of Families Are Increasingly Unable To Escape Poverty and Provide an Adequate Economic Base for Their Children

Young women who head families have suffered greater relative earnings losses than the heads of young married couple families. Because young female-headed families rarely include a second potential wage earner, however, they also have been unable to compensate for any significant portion of these earnings losses.

Ironically, the incomes of young female-headed families have been pushed even lower during the 1980s by federal budget cuts in "safety net" programs and the declining real value of welfare benefits for such families. The median state AFDC benefit for a family of four, adjusted for inflation, fell by more than one-third between July 1970 and July 1987 as states failed to raise benefit levels to keep pace with the cost of living. In addition, federal changes in AFDC and Medicaid further reduced assistance to pregnant women and 18- to 20-year-olds. This deterioration of basic income support has exacerbated the plight of young female-headed families.

The median annual earnings of young female-headed families were extremely low ($2,171) in 1973, but nonetheless declined still further, to $1,560, in 1986.

- These earnings losses have occurred entirely in the 1980s. Median earnings for young female-headed families actually increased dramatically (by 62 percent) between 1973 and 1979 but have deteriorated sharply since then.
- The earnings prospects of young female family heads with the least education continue to be extremely bleak. Both in 1973 and 1986, more than half of all young female family heads who were high school dropouts had no earnings during the entire year.
- Reductions in public assistance added to the income losses experienced by young female-headed families. While the earnings of young female family heads dropped by $600 between 1973 and 1986, their total incomes fell by almost four times that amount—$2,200, or 26 percent—during this period.

With such low family incomes, young female-headed families are now far more likely to be poor than to escape poverty. Two-thirds of those with children now live in poverty.

- Sixty-eight percent of all young female-headed families with children were poor in

1986, compared with 59 percent in 1973. Only one in every three young female-headed families with children now manages to escape poverty.

- Nearly all young female-headed families headed by a high school dropout (85 percent), as well as three out of every five headed by a high school graduate, were poor in 1986.

The Extremely Large Income Disparities Between Young Married Couple Families and Young Female-Headed Families Pose Great Threats to America's Children

The economic base for young married couple families is far more adequate than that for young female-headed families.

- Median earnings for heads of young married couple families were 11 times greater than those of heads of young female-headed families in 1986 ($17,550 versus $1,560).
- Among the youngest families, this gap is even greater. Heads of young married couple families under age 25 had median earnings 25 times greater than heads of female-headed families in this age group in 1986.
- The median income of young married couple families ($26,200) was also far greater than that of young female-headed families ($6,392) in 1986.

Poor children living in young families are found disproportionately within female-headed families. This concentration of poor children in young female-headed families reflects both the inadequate incomes of such families and their rapid growth as a share of all young families.

- While only one-third of all children living in young families are in female-headed families, two-thirds of all *poor* children in young families live in such families.
- A child living in a young female-headed family is nearly five times as likely to be poor as a child in a young married couple family.
- Differences in parents' education compound the relative disadvantage of children in young female-headed families. For example, a child living in a young family headed by a female high school dropout is 14 times more likely to be poor than a child in a young married couple family headed by a college graduate.

VERY YOUNG FAMILIES

Finding

Very young families are starting out far behind their counterparts of 15 years ago. Their falling incomes and rising poverty rates now jeopardize many of the nation's youngest and most vulnerable children.

Key Facts

- While the number of very young families has declined considerably, nearly one in every seven children under the age of six still lives in such a family.
- The median earnings of heads of very young families fell by 42 percent between 1973 and 1986. Among those with children, median earnings plunged by 60 percent.
- Very young families lost more than one-fourth of their median income between 1973 and 1986. This decline occurred almost entirely during the 1980s, and their median income continued to fall even after four years of recovery from the 1982 recession.
- More than half (54 percent) of all children in very young families were poor in 1986. One of every three poor children under the age of six lives in a very young family.
- The poverty rate among very young families has doubled since 1973.

Key Term

"Very young families" refers in this section to those headed by persons under 25.

Very Young Families Are Declining in Number, But Still Contain Many of America's Youngest and Most Vulnerable Children

Because fewer Americans in their teens and early twenties are getting married or having children—in many cases because they do not have adequate earnings to start a family, in other cases because they are pursuing their education or beginning their careers—very young families represent a dwindling share of all young families. The number of very young families (4 million in March 1987) has fallen by 30 percent since 1974. As a result, fewer than one-third of the young families described in this report (those headed by someone under age 30) were headed by persons under age 25 in 1987.

Despite their declining numbers, however, the well-being of very young families remains extremely important to the health and well-being of many of America's youngest and most vulnerable children. Nearly one in every seven children under the age of six lives in a family headed by a person under the age of 25. More significantly, almost one-third of all *poor* children under the age of six live in very young families. Because these families have suffered the largest income losses over the past 15 years, the children who live in very young families are often at great risk during their crucial years of early development.

Heads of Very Young Families Have Suffered Huge Earnings Losses, Reducing Their Median Income Far Below Previous Levels

Persons under age 25 who headed families with children in 1986 had median earnings 60 percent below those of their counterparts in 1973. Median earnings were $6,000 for heads of such families in 1986.

- Within all very young families, including those with and without children, the median earnings of the family head dropped by 42 percent (from $14,925 in 1973 to $8,603 in 1986).
- Very young family heads with the least education found it increasingly difficult—and in most cases impossible—to achieve adequate earnings. For example, dropouts under age

25 who headed families experienced a loss of median earnings of more than 70 percent (from $11,842 to $3,456) during this period.

America's youngest families generally had no way to compensate for such massive earnings losses, and as a result their median family income fell sharply.

- Very young families lost more than one-fourth (26 percent) of their median income between 1973 and 1986. In contrast, all families headed by persons under age 30 lost 14 percent of their median income during this period.
- This income decline for very young families occurred almost entirely during the 1980s. Their median income (in 1986 dollars) was $20,229 in 1973 and remained at $20,137 in 1979, but then plunged to $14,900 by 1986.
- Only those very young families headed by college graduates had a higher median income in 1986 than in 1973. Very young families headed by a high school dropout lost 46 percent of their median income between 1973 and 1986, while those headed by high school graduates dropped by one-fourth.
- Because more than two-thirds (69 percent) of heads of very young female-headed families are never-married women, the incomes of these female-headed families are rarely boosted by the earnings of a second wage earner, even through child support.

Very Young Families Are at Great Risk of Living in Poverty, and Their Plight Increasingly Is Unaffected by Broader Economic Growth

In 1986, one in every three families headed by a person under age 25 was poor.

- The poverty rate for very young families has doubled, rising from 16 percent in 1973 to 33 percent in 1986.
- More than half (54 percent) of all children in very young families were poor in 1986, nearly double the child poverty rate for such families in 1973 (29 percent).
- Seven of every 10 children in families headed by high school dropouts under age 25, as well as more than eight of every 10 children in the youngest female-headed families, lived in poverty in 1986.
- Children in America's youngest families are three times more likely to be poor than those living in families headed by persons over age 30.

Families headed by persons under 25 were the only major age subgroup whose incomes had not begun to rise even after four years of economic recovery from the 1982 recession.

- While all groups of older families experienced some income gains in 1986, the median income of very young families fell even lower from 1985 to 1986 and still has shown no sign of improvement following the last recession. (Data for 1987 are not yet available.)
- The incomes of very young families are less influenced by broader economic conditions in part because 30 percent of such families are headed by single women. Heads of married couple families in this age group had median earnings 25 times greater than heads of female-headed families.

YOUNG FAMILIES THAT DON'T LIVE ON THEIR OWN

Finding

The numbers of young families described in this report understate the importance of parents under age 30 to the well-being of America's children. Many young subfamilies headed by persons under age 30 who do not live on their own are not counted as "young families" but face similar (and sometimes greater) economic problems.

Key Facts

- There were 1.7 million young subfamilies in March 1987. Three of every five subfamilies were headed by young persons under the age of 30.
- Ninety percent of all young subfamilies have children. These subfamilies contained 2.1 million children in March 1987.
- Most young subfamilies are headed by single women, but one in five are married couple families that do not live on their own.
- Thirty-nine percent of all children living in young subfamilies were poor in 1986.

Key Term

A "subfamily" is a family living within a household headed by another individual. In most cases, young subfamilies live with parents or other relatives as part of an extended family. Comprehensive data on young subfamilies have been available only since 1983.

Young Subfamilies and Their Children Experience Many of the Same Economic Problems that Young Families Face

In addition to the 9.3 million young families whose situation is described elsewhere in this report, there were another 1.7 million young "subfamilies" in 1986. These were families headed by a person under age 30 but not living on their own—typically living with older parents or other relatives as part of an extended family. Because such young subfamilies are part of a larger household, they are not included in the data on young families. Yet these subfamilies face many of the same economic problems as young families do, with equally troubling consequences for their children.

A significant and growing number of children—2.1 million in March 1987—live in young subfamilies.

- The vast majority (90 percent) of the 1.7 million young subfamilies in March 1987 had children.
- Including children living in young subfamilies, a total of 12.7 million children—21 percent of all American children—relied upon parents under age 30 in 1987 for their primary nurturing and economic support. Only 57 percent of these children lived in families with both parents present.
- While the presence of young subfamilies within larger households was not documented as carefully prior to 1983, the limited data available suggest that the number of young subfamilies has increased rapidly. In March 1974, there were only an estimated 741,000 young subfamilies—less than half the current number.

Young adults who head subfamilies are overwhelmingly from groups that have suffered the greatest economic losses since 1973.

- Four of every five young subfamilies in March 1987 were headed by a single parent, typically a never-married woman. One-fifth of all young subfamilies were married couple families that could not afford to live on their own or otherwise chose to live in a larger household.

- Slightly more than half of all heads of young subfamilies were minority in 1987—35 percent were Black and 14 percent were Hispanic. Forty-eight percent of all young subfamilies were white.
- More than one in three heads of young subfamilies (37 percent) had not completed high school, and only one in seven had any formal schooling beyond high school.

Because the incomes of most young subfamilies are extremely low, two of every five children in young subfamilies lived in poverty in 1986. In the absence of support from extended families or other household members, this poverty rate would have been far higher.

- Thirty-nine percent of all children in young subfamilies—a total of 826,000 in 1986—were poor.
- This poverty rate for children in young subfamilies understates their vulnerability. If such children had to depend solely on the income of their parents (not receiving any support from the larger household in which they live), three of every four children living in young subfamilies would have been classified as poor in 1986.

5

SOME CONSEQUENCES OF FALLING EARNINGS AND INADEQUATE INCOMES AMONG YOUNG FAMILIES

HOME OWNERSHIP AND RENTAL COSTS

Finding

At the same time that young families' incomes have declined, home ownership and rental costs have risen, leaving growing numbers of young families unable to purchase their first home or locate affordable rental housing.

Key Facts

- Adjusting for inflation, the average house price rose more than 40 percent from 1973 to 1986, while mortgage interest rates also increased substantially.
- In 1973 it took 23 percent of the median income of a young family with children to carry a new mortgage on an average priced house. By 1986 that figure more than doubled to 51 percent. The comparable cost burden for very young families with children (those headed by persons under age 25) soared from 30 percent in 1973 to 90 percent by 1986.
- Between 1973 and 1987, the percentage of households with a head under 25 who owned a home fell from 23 percent to 16 percent.
- Rental costs for young families also rose substantially from 1974 to 1986. The median rent was equal to 81 percent of the median income for single parents under age 25 in 1986.

Key Terms

"Home ownership costs" refers to the monthly payments (including principal and interest, but excluding property taxes or insurance) for a home financed by a conventional 30-year mortgage at a fixed interest rate.

"Rental costs" refers to the combined monthly rental and utility payments made by tenants in rented units of all types, including both houses and apartments.

An Increasing Proportion of Young Families Cannot Afford To Purchase Their Own Home

The combination of falling incomes, increasing house prices, and higher interest rates has made it more and more difficult for a young family to buy their own home. This traditional route to family stability, long-term security, and middle class identity—an integral part of the American dream—is now out of reach for a growing proportion of young families.

In 1967, it took 21 percent of the median income of a young family with children to carry a new mortgage on an average priced house. As recently as 1973, these carrying costs were still equal to only 23 percent of young families' median income, but by 1986 they had soared to 51 percent of median income.

- For all young families, whether or not they had children, the share of median income needed to carry the 80 percent mortgage doubled from 21 percent in 1973 to 42 percent in 1986. (Housing is commonly considered "affordable" if mortgage or rental costs are less than 30 percent of a family's income.)
- For the youngest families (with a head under age 25) the deterioration was even worse because their incomes fell more precipitously. The costs of the down payment plus points went from 10 months of income in 1973 to 19 months in 1986, while the carrying costs for an 80 percent mortgage went from 24 percent of income in 1967 and 26 percent in 1973 to 60 percent in 1986 (although no banker would finance a young family's house at that level). For families with children headed by persons under age 25, these monthly carrying costs were equal to 30 percent of their median income in 1973 but jumped to 90 percent in 1986.

Increasing home prices, down payments, and mortgage interest costs all have added to the financial barriers to home ownership among young families.

• The average sales price for houses (other than newly constructed homes) was $24,100 in 1967, $31,500 in 1973, and $108,500 in 1986. Even adjusting for inflation, house prices skyrocketed by 40 percent between 1973 and 1986.

• Mortgage rates also rose during this period, and not merely because inflation was higher. The real mortgage rate (the difference between the prevailing rate for a new 30-year conventional mortgage issued during the year and the year's inflation rate) has been higher—and usually substantially higher—in every year since 1981 than in every year from 1966 to 1980. In 1973, the mortgage rate was 7.8 percent (1.6 percent above the inflation rate for that year). But in 1986, the 9.8 percent mortgage rate was fully 8.3 percent above the low inflation rate (1.5 percent) for that year.

The following chart summarizes these changes and also shows how the rising costs of down payments and "points" for mortgage origination further heightened the barriers to home ownership among young families.

Cost of Purchasing Housing Compared With Income of Young Families with Children and Family Head Under Age 30

Year	Average Price of Existing House (in 1986 dollars)	Mortgage Interest Rate for 30-Year Conventional Mortgage (Percent)	Average Points Required (Percent)	Median Family Income (in 1986 dollars)	Months of Median Income Needed to Cover 20% Down-payment Plus Points	Percent of Median Income Needed to Carry 80% Mortgage
1967	$ 77,939	6.4%	0.8%	$22,377	9 months	21%
1973	$ 77,023	7.8%	1.0%	$23,486	8 months	23%
1979	$ 96,262	10.6%	1.4%	$21,426	11 months	40%
1986	$108,500	9.8%	2.1%	$17,500	16 months	51%

Unsurprisingly, given the growing inability of their incomes to meet home purchase costs, young families are purchasing houses substantially less frequently.*

• Between 1973 and 1987, the percentage of households headed by an individual under age 25 who owned a home fell from 23 percent to 16 percent.

• The decline in home ownership was most drastic for families with children. Young households with no children headed by persons under age 25 were more likely to own a home in 1987 than in 1973, while home ownership among very young married couples with children fell by more than one-fourth.

• The home ownership rate among households headed by persons ages 25 to 29 also fell from 44 percent in 1973 and 43 percent in 1980 to 36 percent in 1987.

Home Ownership Rates Among Households Headed by Persons Under Age 25

	1973	1980	1987	Change 1973-1987
All Households Headed by Persons Under Age 25	23%	21%	16%	−30%
Married with Children	39%	39%	29%	−26%
Single with Children	14%	10%	6%	−57%
Married without Children	26%	34%	28%	+ 8%
Single without Children	8%	12%	11%	+38%

At The Same Time That Young Families Increasingly Have Been Priced Out of the Home Ownership Market, Rents Have Risen Sharply

The number of low-cost rental units has declined substantially since the mid-1970s.

• The number of units renting for less than $300 per month (in constant 1986 dollars)

*Data in this section and the next are from *State of the Nation's Housing 1988*, William C. Apgar, Jr. and H. James Brown, Joint Center for Housing Studies of Harvard University, Cambridge, MA.

dropped by nearly 1 million between 1974 and 1983, while the number renting for more than $400 per month grew by nearly 4.5 million.

- The loss of these 1 million units with low monthly rents was the result of housing removal or upgrading to attract higher-income tenants. The Joint Center for Housing Studies of Harvard University concluded that the recovery that began in 1982 "did nothing to alleviate the renter cost burden: increases in real rents have steadily outpaced growth in real income."
- Annual construction of low-income rental units through both public and private efforts has fallen from 100,000 to 23,000 since the late 1970s.

Rental costs have increased rapidly as a proportion of young families' incomes, both because rents have risen and because the incomes of young families have declined.

- Adjusted for inflation, rents increased by 16 percent between 1981 and 1987.
- The rent burden (median rent as a proportion of median income) for households headed by persons under age 25 and for those headed by persons ages 25 to 34 increased by one-third from 1974 to 1987.
- These increases were especially severe for young families with children. For example, the rent burden for single parents under age 25 rose to 81 percent of their median income by 1987.

Rent Burden as Percent of Median Income

	1974	1987	Change 1974-1987
Household Head Under Age 25	24%	36%	+33%
Married with Children	19%	28%	+47%
Single Parent with Children	46%	81%	+76%
Married, No Children	18%	25%	+39%
Household Head Ages 25-34	19%	25%	+32%
Married with Children	17%	22%	+29%
Single Parent with Children	35%	58%	+66%
Married, No Children	14%	18%	+29%

HEALTH INSURANCE AND HEALTH CARE

Finding

Young adults and children in young families are considerably less likely to have health insurance than other Americans, and their health status has deteriorated in some important respects.

Key Facts

- The number of Americans of all ages with neither public nor private health insurance grew from 30 million in 1982 to 37 million in 1986.
- More than one in five children (21.5 percent) in families headed by persons under age 30, and more than one in four children (27.3 percent) in families headed by persons under age 25, had no health insurance whatsoever in 1986.
- Young adults (ages 18 to 24) were the least likely of any age group to be covered by private health insurance in 1984 and suffered the sharpest declines in such coverage during the preceding decade.
- Among the youngest groups of pregnant women, who suffered the worst losses in health insurance coverage and were hurt the most by changes in Medicaid and AFDC coverage rules in 1981–1982, the number receiving late or no prenatal care increased substantially between 1976 and 1986.
- In part because of these declines in the utilization of prenatal care, the nation's progress in reducing infant mortality and low-birthweight births has ground to a halt.

Key Term

"Health insurance" refers to any public or private insurance plan that pays for the cost of health care, regardless of the scope of the coverage or the extent (if any) to which the cost of the insurance is paid by government or a private employer.

Young Adults Are the Least Likely of Any Age Group To Have Health Insurance, and They Have Suffered the Greatest Decline in Health Insurance Coverage

Most people under age 65 in this country who have health insurance obtain it through their jobs. Health insurance is among the most important fringe benefits of employment. Many employers pay part or all of the premium cost for permanent employees and (with less frequency) their dependent spouses and children. If not insured through employment, families have great difficulty in obtaining either insurance or adequate care on their own, because both individually purchased health insurance plans and health care itself are so expensive. While public insurance through Medicaid is sometimes available to low-income families, its narrow coverage reaches only a minority of those who need it.

This current system of health insurance has begun to develop widening cracks. The number of Americans with neither public nor private insurance grew from 30 million in 1982 to 37 million in 1986. Some of this increase occurred because employers cut back on the insurance they offered, either eliminating it completely or increasing the employees' share of premiums so that more employees could not afford to purchase it. But much of the growth in the number of uninsured persons has been caused by shifts in the job market: the number of jobs in the service sectors (which are often low-paid or in nonunionized industries, making health coverage less likely) has increased while manufacturing jobs have disappeared, and more and more jobs are temporary or part time—or both—and, therefore, far less likely to provide insurance.

The effects of these job market shifts have been most pronounced for young workers. It is therefore not surprising that young adults have been the group most likely to lose private health insurance since 1974.

In 1974, 18- to 24-year-olds were the age group least likely to be insured. During the following decade, they suffered a decline in private insurance coverage that was nearly twice as great as that experienced by any other age group.

- The National Center for Health Statistics' Health Interview Survey found that the proportion of 18- to 24-year-olds with private insurance coverage fell from nearly three-fourths to about two-thirds. Most of this decline occurred from 1980 to 1984.

Percent of Americans Covered by Private Health Insurance, by Age Group

	1974	1980	1984
Under age 18	76.2%	75.7%	72.5%
Ages 18-24	74.3%	72.3%	67.4%
Ages 25-44	83.9%	83.3%	80.1%
Ages 45-64	84.3%	83.9%	83.3%

- Even employed 18- to 24-year-olds were far less likely to have private health insurance in 1984 than employed members of other age groups. Seventy-five percent of employed 18- to 24-year-olds were insured, as opposed to 86 percent of employed 25- to 44-year-olds and 90 percent of the 45- to 64-year-olds.
- In many respects young adults are in better health than older adults, so it might be assumed that some of the difference based on age occurs because young adults fail to purchase partially paid employer coverage when they perceive themselves to be in good health. But young adults are far less likely to be privately insured regardless of their perception of their health status.

Percent With Private Health Insurance, by Age and Self-Reported Health Status, 1984

Health Status	18-24 Years	25-44 Years	45-64 Years
	Percent With Private Health Insurance		
Excellent	73.2%	86.0%	89.6%
Very Good	70.5%	83.6%	90.0%
Good	56.8%	72.6%	84.8%
Fair	45.0%	57.9%	69.7%
Poor	29.6%	40.4%	53.0%

Young Adults Are More Likely To Suffer from Acute Health Conditions and Lose Days of Work as a Result, But Are Least Likely To Have a Regular Doctor

While older adults suffer far more frequently from chronic conditions, young adults are the group that most frequently has acute conditions (injuries, infectious diseases, respiratory conditions, and the like).

Number of Acute Conditions Per 100 Persons Per Year by Age, 1982 and 1986

	1982	1986
Ages 18-24	170.3	195.1
Ages 25-44	150.7	168.6
Ages 45-64	106.7	125.1

- Much of the increase from 1982 to 1986 was a result of a higher influenza rate in the latter year, but in both years the youngest adults were substantially more likely to suffer from acute conditions.

Although more frequently ill from acute conditions, young adults are less likely than any other age group to have a regular doctor.

- According to the National Research Corporation, 26 percent of 18- to 24-year-olds had no regular doctor, compared with 22 percent of those ages 25 to 34, 17 percent of those ages 35 to 44, and 16 percent of those ages 45 to 64.
- Young adults also are the age group most likely to miss work because of an acute illness. The precise factors underlying this pattern—whether it is lack of medical care, lack of health insurance to obtain medical care, lack of adequate attachment to the work force, or other causes—cannot be determined. What is startling is both the size of the gap and the extent to which it has grown from 1982 to 1986 (data by age are not available for earlier years).

Number of Work Loss Days Associated with Acute Conditions Among Currently Employed Persons (Per 100 Conditions) by Age, 1982 and 1986

	1982	1986
Ages 18-24	290.2	383.9
Ages 25-44	277.7	324.0
Ages 45-64	272.1	309.3

The Declining Economic and Insurance Status of Young Families Threatens the Health of America's Children, Especially Infants and Toddlers

Children living in young families are more likely than those in older families to be uninsured.

- Nineteen percent of all children under age 18 were uninsured in 1986. Among children living in families headed by persons under age 30, however, 21.5 percent were uninsured.
- Children living in very young families are at even greater risk of having no health insurance coverage. More than one in four children (27.3 percent) living in families headed by persons under age 25 was uninsured in 1986.

Younger pregnant women, who suffered the worst losses in private health insurance coverage and who were more affected by the 1981 Medicaid reductions than any group of adults, were significantly less likely to receive prenatal care in 1986 than just a decade earlier.

Nothing is more important in ensuring a child's good start in life or a pregnant woman's health than early and comprehensive prenatal care. Since roughly three-fourths of all U.S. births are to mothers under age 30, utilization of prenatal care among young women takes on particular significance. Yet between 1976 and 1986, the overall proportion of pregnant women under age 30 who received early prenatal care has either failed to improve or declined.

Percentage of Babies Born to Women Who Received Prenatal Care in First Trimester by Age of Mother, 1976 and 1986

	1976	1986	Change
Ages 15-19	53.7%	53.4%	− 1%
Ages 20-24	74.0%	70.7%	− 4%
Ages 25-29	82.3%	82.7%	+ 1%
Ages 30-34	80.3%	85.5%	+ 6%
Ages 35-39	72.3%	82.9%	+15%
40 and Over	61.9%	74.1%	+20%

Thus, the slight overall decline in utilization of early prenatal care (from 76.3 percent to 75.9 percent) that occurred between 1980 and 1986 not only marks a reversal of the overall improvements that occurred during the 1970s, but also masks an age-specific decline in early utilization among younger women.

This decline among younger women in early utilization of care was accompanied by startling increases in the percentage of births to younger women who receive late or no prenatal care.

• The percentage of such births jumped by one-third among mothers ages 20 to 24, while the proportion of births to mothers receiving late or no care dropped substantially among women ages 30 and over.

Percentage of Babies Born to Women Receiving Late or No Prenatal Care By Age of Mother, 1976 and 1986

	1976	1986	Change
Ages 15-19	10.9%	12.5%	+15%
Ages 20-24	5.6%	7.4%	+32%
Ages 25-29	3.5%	4.0%	+14%
Ages 30-34	3.9%	3.3%	−15%
Ages 35-39	6.4%	4.2%	−34%
40 and Over	9.6%	7.3%	−24%

The erosion in the receipt of prenatal care among younger mothers parallels the decline in public and private health insurance coverage of young adults. While Medicaid expansions in recent years will provide relief for the poorest pregnant women, 80 percent of all states still do not extend coverage to near-poor women, who account for about one-third of all uninsured pregnant women.

When mothers do not get early and adequate prenatal care, the consequences for their children are severe.

• Babies born to mothers who receive no prenatal care are three times as likely to die and two to four times as likely to be born at low birthweight—a major cause of infant death and long-term disability—as babies whose mothers receive early and adequate care.

• Between 1970 and 1979, the percentage of infants born at low birthweight declined by 13 percent. From 1980 to 1986, no further gains were made in reducing low-birthweight births.

• Similarly, the nation's infant mortality rate dropped rapidly in the late 1960s and the 1970s, but the rate of progress has since slowed considerably, to the point that there was no statistically significant improvement from 1984 to 1985.

• For the first time since 1960, the neonatal mortality rate (deaths within the first 28 days of life) did not improve from 1984 to 1985. Black neonatal mortality actually rose in 1985 for the first time in 20 years.

6

REGIONAL DATA ON YOUNG FAMILIES

REGIONAL DATA ON YOUNG FAMILIES

Finding

The crisis for young families is a national one. Their economic base has deteriorated even in relatively prosperous regions, leaving young families throughout the nation at greater risk of poverty than they were 15 years ago.

Key Facts

- The median income of young families with children fell sharply in every region between 1973 and 1986, declining by as much as one-third.
- Poverty rates among young families also increased in every region during this period, ranging from 19 to 24 percent in 1986.
- Young families are more likely to be headed by women than ever before, regardless of the region in which they live.
- Home ownership rates also have fallen substantially among young families in every major area of the country since 1973.

Key Term

"Region" as defined in this section refers to the geographic areas established by the U.S. Census Bureau, which group the states into nine regions. A listing of the states included in each region can be found at the end of this section.

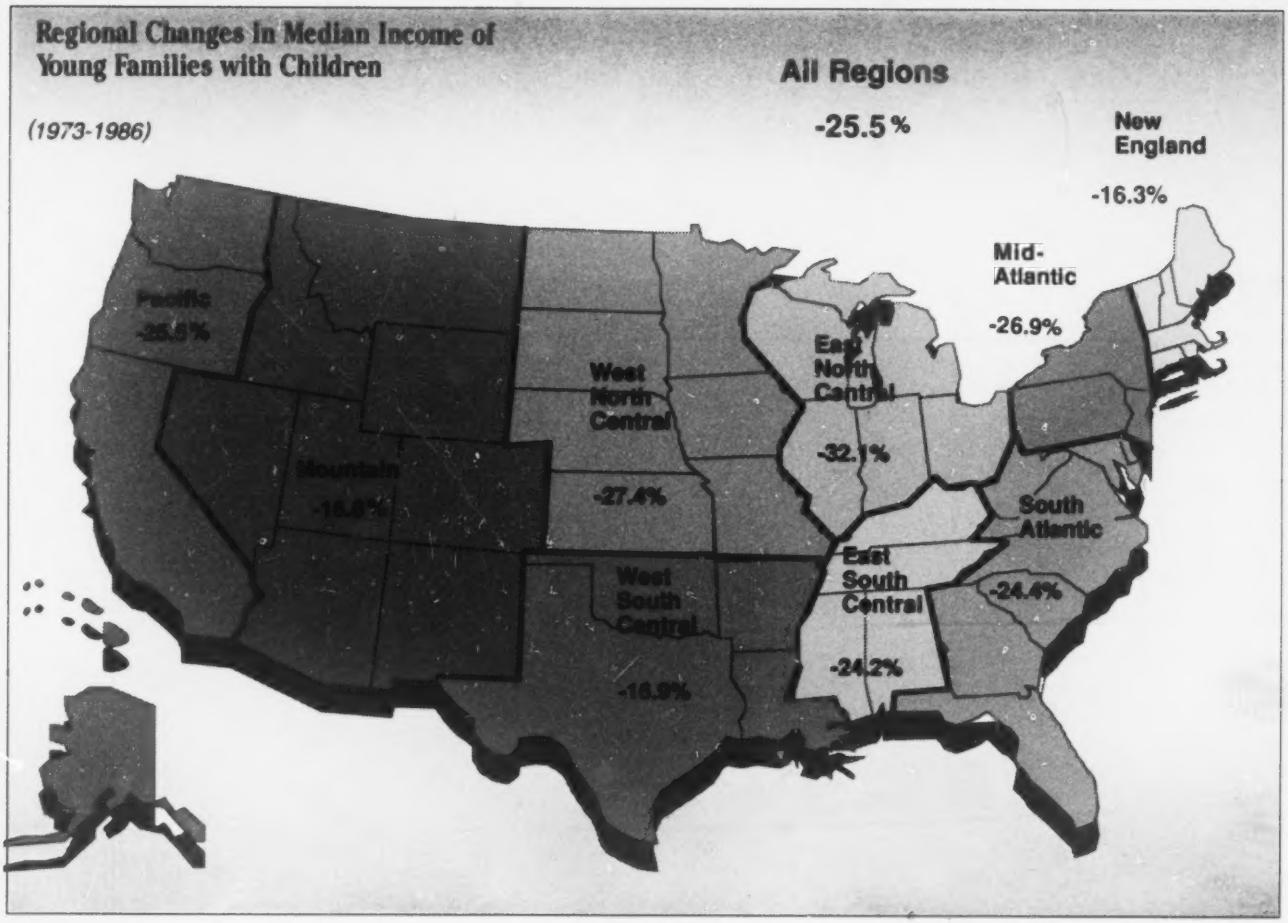
Young Families in Every Region Have Lost Substantial Ground When Compared with Their Counterparts of 15 Years Ago

The problems facing young families are truly national in scope. In every region of the country, the pattern for young families is virtually the same: falling incomes, rising poverty rates, and higher proportions of female-headed families. The particular economic hardships of some regions—most notably the industrial midwestern states—have produced the most precipitous income losses between 1973 and 1986. Yet no region, regardless of how prosperous, has escaped these problems.

What is most striking about the regional data on young families is how little conditions varied across regions in 1986. One might expect that, with such significant disparities in economic conditions between the southern, midwestern, and New England states in 1986, young families would fare far better in some regions than in others. Instead, the differences between regions have narrowed since 1973.

The near uniformity of income losses and rising poverty rates for young families across regions underscores the long-term, structural, and national nature of the problem, which will not be solved by short-term, narrowly targeted, or local, state, or regional efforts alone. It also demonstrates the limits of economic growth by itself as a solution to the plight of young families. Some groups of young families—most notably, married couple families without children—can take immediate advantage of opportunities in an expanding economy by sending two full-time workers into the labor market. Yet the increase in poverty among young families with children in regions such as New England, despite their very low unemployment rates, serves as a reminder that economic growth alone will not be sufficient to ensure adequate incomes for parents with the least education or to reverse declines in marriage rates and corresponding increases in out-of-wedlock childbearing among young Americans.

The median incomes of young families with children fell sharply in every region between 1973 and 1986, with declines ranging from one-sixth to as much as one-third.



States In Each of the Nine Census Regions

I. New England
Connecticut
Maine
Massachusetts
New Hampshire
Rhode Island
Vermont

II. Mid-Atlantic
New Jersey
New York
Pennsylvania

III. East North Central
Illinois
Indiana
Michigan
Ohio
Wisconsin

IV. West North Central
Iowa
Kansas
Missouri
Minnesota
Nebraska
North Dakota
South Dakota

V. South Atlantic
Delaware
Florida
Georgia
Maryland
North Carolina
South Carolina
Virginia
Washington, D.C.
West Virginia

VI. East South Central
Alabama
Kentucky
Mississippi
Tennessee

VII. West South Central
Arkansas
Louisiana
Oklahoma
Texas

VIII. Mountain
Arizona
Colorado
Idaho
Montana
Nevada
New Mexico
Utah
Wyoming

IX. Pacific
Alaska
California
Hawaii
Oregon
Washington

- In the East North Central states (Illinois, Indiana, Michigan, Ohio, and Wisconsin), the median incomes of young families with children fell by 32 percent—a reflection of the severe impact of the decline of manufacturing industries on young workers in this region.
- Income losses also were dramatic in other parts of the country, ranging from declines of roughly one-fourth in the South and West to one-sixth in the northeastern and Mountain states.
- While the deepest and most uniform losses were for young families with children, similar trends applied to young families in general. Only in one region did the incomes of young families as a whole go up: in New England, where the gains of childless families more than offset the losses of families with children, the median income of all young families rose by 9 percent.

As a result of these income losses, there were sharp increases in poverty among young families in each geographic region between 1973 and 1986.

- Poverty rates among young families were very similar throughout the country by 1986, ranging from 19 to 24 percent. Regions that previously had the lowest poverty rates among young families (including the Midwest and parts of the Southeast) have experienced some of the greatest economic problems in recent years, exacerbating the plight of young families in these areas.
- In every region, poverty increased more rapidly among young families than among older ones. In five of nine regions, the poverty rate for young families was more than double that of older families in 1986—a relative gap larger than that found in any region of the country in 1973.

Poverty Rates Among Young Families by Geographic Region, 1973 and 1986

Geographic Region	1973	1986	Change 1973-1986
New England	13.2%	20.4%	+ 55%
Mid-Atlantic	13.5%	20.5%	+ 52%
East North	10.4%	22.9%	+120%
Central West North	9.7%	19.2%	+ 98%
Central South Atlantic	10.2%	21.5%	+111%
East South	12.7%	23.9%	+ 88%
Central West South	16.8%	22.7%	+ 35%
Central Mountain	12.3%	22.3%	+ 81%
Pacific	13.5%	20.9%	+ 55%
All Regions	12.3%	21.6%	+ 76%

In every region except New England, the growth in poverty rates occurred for both young married couple families and young female-headed families. Even in New England, with its extremely low rates of joblessness, young female-headed families were more likely to be poor in 1986 than in 1973.

- Among young married couple families, poverty rates jumped sharply in the South, West, and Midwest. The increases were smaller in the Mid-Atlantic region, and poverty among young married couple families dropped dramatically in New England as those families with two potential wage earners took advantage of expanding employment opportunities in the region.
- Because young female-headed families are less able to take advantage of improving labor market conditions, their poverty rates remained extremely high even in more prosperous regions. More than 60 percent of all young female-headed families in every region except the Pacific were poor in 1986, and New England's poverty rate for these families was the highest in the nation (69 percent).

In Every Region, A Greater Proportion of Young Families Is Now Headed by Women

The share of young families with female heads has jumped dramatically in every region, increasing by at least half and in some cases more than doubling.

- The proportion of young families that are female-headed varies only slightly across regions. In every region, 20 to 25 percent of all young families were headed by women with no husband present in March 1987.
- The regions that had the lowest proportions of young female-headed households in 1974 (including the Midwest and the deep South) have experienced the greatest relative increases in such families since then.

Percent of Young Families Headed by Women With No Spouse Present, by Geographic Region, 1973 and 1986

Geographic Region	1973	1986	Change 1973-1986
New England	13.2%	24.4%	+ 85%
Mid-Atlantic	14.9%	23.3%	+ 56%
East North	12.0%	23.7%	+ 98%
Central West North	8.6%	19.6%	+ 128%
Central South Atlantic	11.5%	22.7%	+ 97%
East South	10.8%	22.1%	+ 105%
Central West South	12.6%	19.7%	+ 56%
Central Mountain	15.5%	22.1%	+ 45%
Pacific	16.6%	24.5%	+ 48%
All Regions	12.9%	22.6%	+ 75%

Hopes for Owning a Home Also Have Faded for Young Families in Every Major Area of the Country

Data on home ownership among young families are not available on a regional basis to the same degree as data on median earnings, family incomes, and poverty. However, a recent analysis by William C. Apgar, Jr. and H. James Brown of the Joint Center for Housing Studies of Harvard University provides a general look at regional trends in home ownership by young heads of households in 1973 and 1987, dividing the country into four major geographic areas (Northeast, South, Midwest, and West). The findings from this study provide further evidence that the consequences of a declining economic base for young families are being felt throughout the nation.

Home ownership rates for young heads of households fell in every major geographic area between 1973 and 1987.

- In most cases, these declines in home ownership have been greatest in the Midwest and the South, where housing used to be the most affordable.
- As a result, home ownership rates among young householders have grown more uniform between 1973 and 1986, particularly for heads of households under age 25.

Home Ownership Rates by Geographic Area and Age of Householder, 1973 and 1987

	Under Age 25		Ages 25-29	
	1973	1987	1973	1987
Northeast	17.4%	14.6%	36.2%	34.1%
Midwest	25.3%	16.2%	47.9%	40.2%
South	25.9%	21.0%	47.6%	39.4%
West	15.3%	9.6%	39.7%	27.0%

NOTES AND APPENDIXES

NOTES ON THE DATA IN THIS REPORT

The data on which this report is based are drawn primarily from the Current Population Survey (CPS), a household survey conducted by the U.S. Bureau of the Census in cooperation with the U.S. Department of Labor's Bureau of Labor Statistics.

The CPS provides a broad array of data on the labor market experience, earnings, and incomes of Americans and their families. Each month, a representative sample of approximately 60,000 households is selected for interviews by the Bureau of the Census. Although not every household contains a family (some households are composed of individuals living alone or unrelated individuals living togther), nearly three-fourths of the nation's households are classified as families. The CPS is the source of the national unemployment statistics released monthly by the Bureau of Labor Statistics.

In addition to the uniform monthly data collected through the CPS, a set of supplementary questions are asked each March concerning the work experience, earnings, and incomes of household members in the previous calendar year. By combining these data with demographic data on the structure and composition of families and the number of children living in them, it is possible to develop a fairly detailed picture of the changing economic status of American families over time.

Most of the trends examined in this report are based on comparisons of data for 1973 and 1986. As a starting point for these comparisons, 1973 was selected because it represents the most recent peak in inflation-adjusted family incomes and the low point for family poverty rates—the culmination of a quarter century of post-World War II economic growth. The year 1986 is the most recent for which data on annual earnings, family incomes, and family poverty are available.

The size of the national CPS household sample has varied over the past few decades, declining in recent years as a result of federal budget cuts. At least 6,000 young families were interviewed for the March surveys in 1974, 1980, and 1987 from which most of the data in this report are derived. As shown in the following table, the total number of family interviews conducted during these months ranged from a low of 35,000 to a high of nearly 48,000.

Number of CPS Family Interviews by Age of Family Head

	March 1974	March 1980	March 1987
Under Age 30	6,193	8,329	5,995
Under Age 25	2,422	3,005	1,783
Ages 25-29	3,771	5,324	4,212
Ages 30-64	23,317	32,191	28,815
Ages 65 and Over	5,223	7,211	6,658
Total	34,733	47,731	41,468

All of the data on annual earnings and family incomes contained in this report are adjusted for inflation and expressed in 1986 dollars. Data from the Consumer Price Index for All Urban Consumers (CPI-U) was used to convert earnings and income data from years prior to 1986 into 1986 dollars. Monthly estimates for the CPI-U are developed by the Bureau of Labor Statistics. The average annual value of the CPI-U in 1986 was two and a half times greater than in 1973.

The CPI-U is the standard inflation index used by the federal government to calculate annual cost-of-living adjustments and by the U.S. Census Bureau in its analyses of annual income and poverty data. Some analysts have argued that the CPI-U overstated actual increases in the cost of living during the 1970s by incorporating higher mortgage interest rates into the costs of housing even for existing homeowners who may not have been affected by

such increases. For young families, however, these criticisms have little relevance because most young families do not own their own homes. As such, they are most likely to be affected by rising mortgage rates. In addition, the basic family living costs for young families—home ownership and rental costs, utilities, food, clothing, medical costs, and other basic needs—rose faster than the CPI-U during this period, suggesting that the CPI-U does not overstate actual changes in the cost of living for such families.

A few sections of this report rely on data from sources other than the CPS in an attempt to illustrate some of the consequences of falling earnings and incomes among young families.

In the discussion of home ownership costs for young families, sales prices of existing housing and characteristics of conventionally financed mortgages are drawn from published data of the Federal Home Loan Bank Board, with calculations by CDF. Data on home ownership trends and rental costs for very young families are from William C. Apgar, Jr. and H. James Brown, *State of the Nation's Housing 1988*, Joint Center for Housing Studies of Harvard University, Cambridge, Massachusetts.

In the analysis of health insurance trends, data on private health insurance coverage and acute health conditions among young adults are derived from the National Health Interview Survey conducted by the National Center for Health Statistics, U.S. Department of Health and Human Services. Data on prenatal care and infant mortality—as well as data on out-of-wedlock childbearing included in this report—are based on *Monthly Vital Statistics Reports* of the National Center for Health Statistics.

APPENDIXES

1. Median Annual Earnings of Heads of Young Families by Race and Educational Attainment, 1973, 1979, and 1986 (1986 dollars)

	1973	1979	1986	Change 1973-1986
White, Non-Hispanic	$20,229	$18,132	$16,000	−20.9%
High School Dropouts	16,036	12,844	8,399	−47.6%
High School Graduates	20,970	18,132	15,321	−26.9%
Some College	20,970	20,399	18,000	−14.2%
College Graduates	24,670	22,665	24,000	− 2.7%
Black, Non-Hispanic	11,965	8,764	6,000	−49.9%
High School Dropouts	3,849	2,448	0	−100.0%
High School Graduates	14,802	10,275	5,640	−61.9%
Some College	18,601	15,110	12,000	−35.5%
College Graduates	20,970	19,190	14,400	−31.3%
Hispanic	13,704	12,088	9,600	−29.9%
High School Dropouts	10,983	9,743	6,500	−40.8%
High School Graduates	16,036	15,110	11,700	−27.0%
Some College	21,108	15,110	15,000	−28.9%
College Graduates	23,286	17,225	25,500	+ 9.5%

2. Median Annual Earnings of Men Ages 20-29 by Marital Status, Race, and Educational Attainment, 1973 and 1986 (1986 dollars)

	1973	1986	Change 1973-1986
All Men Ages 20-29	$15,989	$11,500	−28.1%
Married, Spouse Present	20,970	17,000	−18.9%
Never Married	7,954	8,000	+ 0.6%
White, Non-Hispanic	17,146	13,000	−24.2%
Married, Spouse Present	21,764	18,000	−17.3%
Never Married	8,351	10,000	+19.7%
Black, Non-Hispanic	11,669	6,800	−41.7%
Married, Spouse Present	17,269	13,800	−20.1%
Never Married	7,179	5,000	−30.4%
Hispanic	13,692	9,200	−32.8%
Married, Spouse Present	16,036	12,000	−25.2%
Never Married	8,338	6,700	−19.6%
High School Dropouts	13,023	7,800	−40.1%
Married, Spouse Present	17,269	11,127	−35.6%
Never Married	6,414	4,700	−26.7%
High School Graduates	18,503	12,800	−30.8%
Married, Spouse Present	21,897	17,000	−22.4%
Never Married	12,335	10,000	−18.9%
Some College	16,978	14,000	−17.5%
Married, Spouse Present	21,690	20,000	− 7.8%
Never Married	9,868	10,149	+ 2.8%
College Graduates	22,203	21,000	− 5.4%
Married, Spouse Present	24,670	25,000	+ 1.3%
Never Married	13,815	17,000	+23.1%

NOTE: Data include civilian males only

3. Median Annual Income of Young Families by Marital Status, Race, Educational Attainment, and Presence of Children, 1967, 1973, 1979, and 1986 (1986 dollars)

	1967	1973	1979	1986	Change 1973-1986
All Families Headed by Persons Under Age 30	$22,988	$24,798	$24,236	$21,455	−13.5%
Married Couple	24,275	27,137	27,694	26,200	− 3.5%
Male Head	8,210	17,950	21,341	20,486	+14.1%
Female Head	8,538	8,635	8,324	6,392	−26.0%
White, Non-Hispanic	N.A.	26,328	26,760	24,275	− 7.8%
Black, Non-Hispanic	N.A.	15,912	12,753	11,250	−29.3%
Hispanic	N.A.	17,960	18,035	15,025	−16.3%
High School Dropouts	17,175	16,850	15,110	11,000	−34.7%
High School Graduates	24,610	24,922	24,478	20,860	−16.3%
Some College	26,272	28,077	28,715	26,800	− 4.5%
College Graduates	30,311	33,884	33,825	38,000	+12.1%
No Children	25,615	28,469	30,144	29,000	+ 1.9%
One or More Children	22,377	23,486	21,426	17,500	−25.5%

NOTE: Data on educational attainment excludes those who cited school as their major activity in March of each year. Comparable race/ethnic data available beginning in 1973. Data include civilians only.

4. Median Incomes of Young Families with Children by Geographic Region, 1973 and 1986 (1986 Dollars)

	1973	1986	Change 1973-1986
New England	$22,696	$19,000	−16.3%
Mid-Atlantic	23,740	17,364	−26.9%
East North Central	26,532	18,000	−32.1%
West North Central	24,788	18,000	−27.4%
South Atlantic	23,683	17,900	−24.4%
East South Central	20,970	15,900	−24.2%
West South Central	19,736	16,400	−16.9%
Mountain	20,969	17,500	−16.6%
Pacific	23,436	17,443	−25.6%
All Regions	23,486	17,500	−25.5%

5. Demographic Profile of Young Families by Family Structure, Race, Educational Attainment of Family Head, and Presence of Children, March 1968, 1974, 1980, and 1987 (Numbers in Thousands)

	1968	1974	1980	1987	Change 1974-1987
All Families Headed by Persons Under Age 30	7,609	9,991	9,838	9,309	− 6.8%
Married Couple	6,826	8,443	7,783	6,707	−20.6%
Male Head	142	256	322	502	+96.1%
Female Head	640	1,292	1,733	2,100	+62.5%
White, Non-Hispanic	N.A.	8,094	7,616	6,712	−20.6%
Black, Non-Hispanic	N.A.	1,156	1,266	1,323	+14.4%
Hispanic	N.A.	624	791	1,056	+69.2%
High School Dropouts	2,193	2,161	2,015	1,830	−15.3%
High School Graduates	3,196	4,187	4,322	4,161	− 0.6%
Some College	986	1,777	1,838	1,739	− 2.1%
College Graduates	847	1,489	1,373	1,258	−15.5%
No Children	2,052	3,417	3,289	3,074	−10.0%
One or More Children	5,558	6,574	6,548	6,235	− 5.2%

NOTE: Comparable race/ethnic data available beginning in 1974. Data include civilians only.

6. Demographic Profile of Young Families in Poverty by Family Structure, Race, Educational Attainment of Family Head, and Presence of Children, March 1968, 1974, 1980, and 1987 (Numbers in Thousands)

	1968	1974	1980	1987	Change 1974-1987
All Poor Families Headed by Persons Under Age 30	958	1,229	1,422	2,012	+ 63.7%
Married Couple	509	452	476	617	+ 36.5%
Male Head	70	48	36	81	+ 68.8%
Female Head	379	730	910	1,314	+ 80.0%
White, Non-Hispanic	N.A.	648	669	1,018	+ 57.1%
Black, Non-Hispanic	N.A.	405	503	603	+ 48.9%
Hispanic	N.A.	151	207	355	+135.1%
High School Dropouts	551	615	676	849	+ 38.0%
High School Graduates	223	388	523	853	+119.8%
Some College	54	112	114	172	+ 53.6%
College Graduates	25	25	32	32	+ 28.0%
No Children	172	169	121	135	+ 20.1%
One or More Children	786	1,060	1,302	1,877	+ 77.1%

NOTE: Poverty status as of 1967, 1973, 1979, and 1986. Comparable race/ethnic data available beginning in 1974. Data include civilians only.

7. Percentages of Young Families Living in Poverty by Family Structure, Race, Educational Attainment of Family Head, and Presence of Children, March 1968, 1974, 1980, and 1987

	1968	1974	1980	1987
All Families Headed by Persons Under Age 30	12.6%	12.3%	14.5%	21.6%
Married Couple	7.5%	5.4%	6.1%	9.2%
Male Head	49.3%	18.8%	11.2%	16.1%
Female Head	59.2%	56.5%	52.5%	62.6%
White, Non-Hispanic	N.A.	8.0%	8.8%	15.2%
Black, Non-Hispanic	N.A.	35.0%	39.7%	45.6%
Hispanic	N.A	24.2%	26.2%	33.6%
High School Dropouts	25.1%	28.5%	33.5%	46.4%
High School Graduates	7.0%	9.3%	12.1%	20.5%
Some College	5.5%	6.3%	6.2%	9.9%
College Graduates	3.0%	1.7%	2.3%	2.5%
No Children	8.4%	4.9%	3.7%	4.4%
One or More Children	14.1%	16.1%	19.9%	30.1%

NOTE: Poverty status as of 1967, 1973, 1979, and 1986. Comparable race/ethnic data available beginning in 1974. Data include civilians only.

8. Percentages of Young Families with Children Living in Poverty by Family Structure, Race, Educational Attainment of Family Head, and Presence of Children, March 1974 and 1987

	1974	1987	Change 1974-1987
All Families with Children Headed by Persons Under Age 30	16.1%	30.1%	+ 87%
Married Couple	6.4%	12.8%	+100%
Female Head	58.9%	67.8%	+ 15%
White, Non-Hispanic	10.5%	22.3%	+112%
Black, Non-Hispanic	38.8%	53.0%	+ 37%
Hispanic	28.8%	40.1%	+ 39%
High School Dropouts	32.3%	53.5%	+ 66%
High School Graduates	11.5%	26.9%	+134%
Some College	8.4%	14.3%	+ 70%
College Graduates	2.3%	5.6%	+143%

NOTE: Poverty status as of 1973 and 1986.

9. Numbers of Children Living in Young Families by Family Structure and Educational Attainment of Family Head, March 1968, 1974, 1980, and 1987 (Numbers in Thousands)

	1968	1974	1980	1987
All Children Living in Families Headed by Persons Under Age 30	10,947	11,320	10,875	10,530
Married Couple	9,429	8,888	7,918	6,963
Male Head	24	69	128	252
Female Head	1,494	2,364	2,831	3,315
High School Dropouts	4,242	3,598	3,074	2,847
High School Graduates	4,526	4,935	4,962	5,063
Some College	1,204	1,491	1,728	1,644
College Graduates	811	1,106	893	717
Students	164	190	219	259
Married Couple				
High School Dropouts	3,295	2,349	1,846	1,456
High School Graduates	4,078	4,049	3,726	3,501
Some College	1,118	1,315	1,432	1,244
College Graduates	796	1,044	810	654
Students	142	130	104	109
Female Head				
High School Dropouts	942	1,210	1,185	1,308
High School Graduates	443	869	1,181	1,432
Some College	81	174	276	364
College Graduates	14	56	78	63
Students	15	55	111	147

NOTE: Poverty status as of 1967, 1973, 1979, and 1986.

10. Percentages of Children in Young Families Living in Poverty by Family Structure and Educational Attainment of Family Head, March 1968, 1974, 1980, and 1987

	1968	1974	1980	1987
All Children Living in Families Headed by Persons Under Age 30	19.0%	20.7%	24.2%	34.7%
Married Couple	10.5%	8.2%	10.8%	16.0%
Male Head	41.7%	23.2%	23.4%	39.7%
Female Head	72.2%	67.7%	61.7%	73.6%
High School Dropouts	35.3%	39.5%	44.6%	60.7%
High School Graduates	9.9%	13.5%	19.2%	29.5%
Some College	7.0%	8.9%	9.8%	13.7%
College Graduates	2.1%	2.8%	4.3%	7.0%
Married Couple				
High School Dropouts	21.3%	17.7%	21.9%	35.0%
High School Graduates	5.4%	4.9%	9.2%	13.4%
Some College	3.5%	4.6%	4.0%	5.2%
College Graduates	1.6%	1.1%	2.5%	6.1%
Female Head				
High School Dropouts	84.6%	82.1%	80.8%	89.4%
High School Graduates	50.8%	54.0%	50.4%	68.6%
Some College	53.1%	42.5%	39.5%	41.8%
College Graduates	28.6%	35.7%	21.8%	15.9%

NOTE: Poverty status as of 1967, 1973, 1979, and 1986.

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